

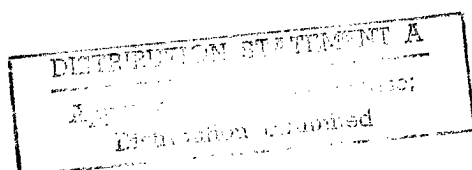
JPRS-WER-88-024  
20 MAY 1988

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**FOREIGN  
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# ***JPRS Report***



# **West Europe**

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# West Europe

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## FINLAND

### Former Ambassador to U.S. Views 'Liturgy' in USSR Ties

36170053 Helsinki KANAVA in Finnish  
No 3 March 88 pp 182-183

[Commentary by Jaakko Iloniemi]

[Text] We shall return many more times this spring to [the issue of] Finnish-Soviet relations of 40 years ago and specifically to the story of the birth of the YYA [Friendship, Cooperation, and Mutual Assistance] Treaty. At least on previous days of commemoration, the speeches and statements have observed those established forms which are somewhat mockingly called "liturgy." Now there is nothing necessarily objectionable as such in "liturgical" expressions, unless they are used merely to conceal faulty analysis. For that they are splendidly suited, and this may explain the vitality of the entire liturgical debate.

When we return to the events of Spring 1948, and especially when we do it on the basis of Paasikivi's diaries, we notice in particular that during the treaty negotiations our political leaders approached the basic issues of the treaty with great composure and carefully studied the likely effects of the treaty with careful analysis. Paasikivi's account of those days shows that analytical debate was entirely possible in government circles. Also part of that debate was a discussion of what the Finnish-Soviet relationship would be like if no agreement were reached. This was not discussed merely in terms of how Stalin would immediately react to a rejection of negotiations. Thought was likewise given to how the relationship would work in the future if something happened concerning implementation of the treaty.

In February of the previous year, Paasikivi had speculated a great deal about a situation in which the Soviet Union might propose military cooperation. He had then crystallized his thoughts into four points. They were:

- (1) Finland would never go to war against the Soviet Union.
- (2) Finland would stay out of all military conflicts.
- (3) If Finnish territory were to be attacked for the purpose of using Finland as a country of transit in an attack on the Soviet Union, then Finland would defend against and oppose such an attack as best it could.
- (4) If we were unable to do that, we would naturally receive aid from the Soviet Union, because we would be fighting against a common enemy.

These four points formed the framework of the treaty, especially with respect to basic military issues. In the spirit of Paasikivi-type fundamentalism, they represented questions in which the Soviet Union had a

"legitimate security interest." Agreeing on them was thus acceptable to Finland in every way. Nothing in this implied a curtailment of Finland's right to self-determination.

Behind this thinking was the basically realistic observation of cabinet minister Reinhold Svento, an old diplomat and politician, who argued that the Soviet Union would in any case protect its security interests in Finland, whether there was a treaty or not. Under those circumstances, it would be much more advantageous to Finland if the treaty were, as Paasikivi proposed, restrictive and explicit, and stuck to what must be authentic security issues for the Soviet Union.

Now that 40 years have elapsed since the signing of the treaty and we have experienced its effects in the long-term, it is appropriate to state that the fear which for excellent reasons prevailed at the moment the treaty was signed have not proven to be well-founded at all. There are many reasons for this. Crucially important is the fact that no changes in Europe have occurred which would have endangered Finnish security, or Soviet security via Finnish territory. Nor has the Soviet Union's internal development been such that the Soviets have been tempted—citing the treaty—to try to influence Finland's internal development.

We know this, but the situation is viewed in many other ways by the countries that neighbor us, not to mention more distant observers. The matter comes up much more often in the unofficial appraisals of those who only superficially follow political relations than of those who are professionals in the field. The YYA Treaty is presumed to contain elements, or at least certain provisions, about which Finns prefer to keep silent. In connection with concrete events—be they nuclear power plant accidents, missiles gone astray, or refugee policy—there is thought to be practical proof that the YYA Treaty has a very restrictive effect on Finland's opportunities to act independently.

Similar doubts about Finland's credibility are sometimes seen when we call our foreign policy neutral. Allusions are then delicately made to the YYA Treaty obligations or comparisons are drawn with how other European neutrals vote in the UN and with how they have responded to the Afghanistan crisis or Soviet dissidents.

It is true, of course, that Finland does not implement its neutrality policy despite—or even independently of—the YYA Treaty. A few years ago, some people toyed with the idea of a symmetrical neutrality policy. This was meant as a policy of neutrality that would be implemented with equal application to East and West. It implied an idealized point of departure according to which neutrality was a precisely defined condition, and deviations from it could be expressed mathematically. Symmetry meant that each deviation to the East would be balanced by an identical deviation to the West. Otherwise neutrality would be abandoned.

From this viewpoint, Finland's [foreign] policy is as little understood as politics in general. After all, foreign policy is not the armchair application of abstract principles but living, adapting, and acting amidst numerous variables. It follows from this that even those interested in neutrality policy do not expect pure solutions but understand and accept the impurities which environmental factors cause, provided, of course, that the deviations are moderate and do not affect the security of others.

Neutrality is put into effect in concrete situations, amid weighing many conflicting interests, and the result is quite different from a harmonious, symmetrical ideal based on some kind of absolute neutrality. In this arrangement, it is quite clear in Finland's case that part of our adaptation is to take into account the Soviet Union's needs in the realm of "legitimate security interests."

Writing in the 1975 Urho Kekkonen commemorative volume, Max Jakobson described the foundation of Finland's neutrality policy. I have subsequently found no better description:

"Finland's position involves a latent conflict between ideological ties and strategic realities. This conflict—the settlement of which is the task of Finland's neutrality policy—explains why there has been a need for a contractual arrangement between Finland and the Soviet Union which predetermines how both states will act in the event that Finnish neutrality is violated."

Jakobson derives the need for a treaty from the conflict between strategic realities and ideological ties. There would thus be no conflict if there were no ideological separatism. Such an opinion is less fashionable nowadays than it was 13 years ago. Yet it is by no means insignificant.

Forty years of experience seem to indicate that the YYA Treaty has not restricted our opportunities to pursue any goal important to us. At the same time, it has stabilized our relations with the Soviet Union and its immediate surroundings. It has also eliminated speculation about how Finland might act if the strategic situation should somehow change. It has tinged, but not encumbered, Finland's neutrality policy, at least not in the eyes of those who analyze alternatives. The genuine alternative—Finland and the Soviet Union negotiate whenever the European security situation changes—would increase tension, not alleviate it.

King Karl Johan, sometimes described as the originator of Sweden's neutrality policy, said in 1834: "Regarding the Soviet Union, allowance must be made for its propinquity, its incomparable forces, and practical commercial interests."

If the word had then been coined, Karl Johan's neutrality policy would certainly have been described as asymmetrical, or even Finlandized. It has remained Swedish policy in practice and has not prevented the Swedes from attending to their interests. With equally good reason, we have considered our huge neighbor in terms of its propinquity, its incomparable forces, and our economic interests. With great success.

12327/9274

### Extreme Left Again in Transition Following Election

#### New Openness in CP

36170052 Helsinki UUSI SUOMI in Finnish  
22 Mar 88 p 2

[Text] The internal situation in the SKDL [Finnish Peoples Democratic League] and the SKP [Finnish Communist Party] is once again in a definite stage of transition. There may be a slight upswing after a long period of decline. Mutual confrontation has been replaced by an honest self-criticism and a cautious search for new forms of cooperation. There is, however, no reason to expect any kind of immediate recovery on the part of the SKDL.

In the first parliamentary elections after the war, the SKDL received 49 seats in parliament. A year ago the Communists entered the elections on two lists and received a total of 20 seats in parliament.

This is how far the situation had to go before the SKP dared to enter into an honest self-criticism within its own sphere.

The structural changes in Finnish society are realistically assessed in Heikki Viitala's recent history of the SKP as the primary cause for the 50 percent decline in the SKDL's election support. By this he means emigration to Sweden, but also the improved well-being of Finland's citizens. Talk of a proletariat amidst an improving standard of living has simply lost its credibility.

As another reason Viitala mentions the SKDL's government responsibility, which clouded the party's image as a real alternative.

Government responsibility also aggravated internal conflicts.

He also did not neglect to mention "events in the international communist movement". By them he probably meant, for example, Poland's economic and political crisis and the shocking effect the occupation of Afghanistan has had on Finns.

Now the SKDL's internal situation is more tattered than before. The largest faction is the traditional SKP led by Arvo Aalto. Taisto Sinisalo's SKP(y) [unity] has split off

from it. And even Sinisalo's group is becoming splintered since the arch conservatives led by Markus Kainulainen are forming their own clique.

The SKDL's Socialists are now reorganizing on the basis of Liike [Movement] 88 created for Kalevi Kivisto's presidential election campaign. In addition, there are the traditional organs of the SKDL and of various special purpose organizations.

The big question is whether the SKDL is headed toward ever declining support and an ever more splintered organizational field or whether this trend has already bottomed out.

The incredibly stable support of the fourth largest party has been a given in Finnish politics. There is still no reason to announce the SKDL's funeral. The extreme left has succeeded in maintaining its support in all the recent elections.

The clear definite policy line promoted by Aalto's faction or the decision not to stand in the way of contractual agreements is restoring organizational unity, but very slowly. Cooperative initiatives, which in themselves interest MP's concerned about their own position, have not yet born any fruit.

An interview with Arvo Aalto and SDP Chairman Pertti Paasio conducted by SUOMEN SOSIALIDEMOKRAATTI last Thursday indicates that it has become possible to discuss unity in the workers' movement. Nevertheless, no specific results are expected very soon at the national level of politics.

The bourgeoisie, however, should not underestimate the significance of the SKDL or of the whole workers' movement. Even though support for both groups is at the lowest in the postwar era, it is still significant. Above all, their influence is felt in the trade union movement.

Still it is difficult to see any factors which could essentially enhance the support of the workers' movement. On the other hand, there are sufficient factors to the contrary.

The SKDL is not capable of accumulating major pressures for a government policy over the short term. Even in this respect, the blue-red coalition appears to have found its place in a surprisingly quick time.

#### **CP, SKDL Leaders Comment**

36170052 Helsinki UUSI SUOMI in Finnish  
22 Mar 88 p 3

[Text] Chief Editor Jorma Hentila: "There has been a powerful left wing among the Social Democrats in Finland, and it has its own historical background. I can see

that the situation will become predominant in the future. There is no prospect that the SDP can acquire the same position as, for example, in other Scandinavian countries.

"The word 'unity', on the other hand, is an artificial concept. It is natural that there will be some tough arm twisting in the SKDL also."

MP Esko Seppanen (Communist): "If an attempt is made to proceed by the same methods by which we have proceeded according to the history books, nothing good will come of it. If, on the other hand, we are capable of carrying out a credible renewal process, I see the possibility of the party becoming the second largest vote getter. I do not, however, see the situation to be such that the SKDL would compete for the position of the leading party within the foreseeable future.

"The moral basis of a reformed operation must be stronger than Kuusinen Incorporated."

Former SKP Chairman Aarne Saarinen: "The fact that the party is a part of the international communist movement has had a tremendous effect on the SKP's position in Finland. It has contained much that is positive, but in addition it has also entailed burdens which have prevented broader support and greater influence. We have been insufficiently self-reliant and too dependent on outside influences.

"I do not want to blame the CPSU in this matter, but there is a question of personal relationships in the SKP. It now is more apparent that development in the Soviet Union is having a positive effect, the SKP is more independent than before.

#### **Communists Differ on 'Neutrality'**

36170052 Helsinki HELSINGIN SANOMAT in Finnish  
9 Apr 88 p 14

[Excerpt] TIEDONANTAJA, the organ of the Taistoite [Stalinist] SKP(y), is thoroughly annoyed with Arvo Aalto's SKP for approving the neutrality policy with respect to its position on the YYA [Friendship, Cooperation, and Mutual Aid Pact]. The SKP adopted the neutrality policy in its YYA position for the first time.

"If the YYA Pact is considered to be the basis of Finland's foreign policy line, this policy line cannot be defined as a neutral policy, not even with preconditions. But, perhaps, something other than a basis is meant by the 'cornerstone' in the SKP's resolution. "This is not a question of any kind of scholastic pedantry. Since the 13th and 14th congresses, the SKP has repeatedly expressed its concern about attempts to ignore the YYA Pact and to change our country's international position especially with respect to taking advantage of the so-called symbol of a neutral policy. The SKP has defined our country's foreign policy line as the foundation and active peace policy of the YYA Pact.

"The SKP(Unity) has adhered to the SKP's traditional policy in this matter. Why has the leadership of the SKP wanted to deviate from this stand? To emphasize that it belongs to the same consensus front with the other advocates of a neutral doctrine? Or why?"

10576

## GREECE

### Recent Parliamentary Excesses Seen Portending Ill for Future

35210078 Athens KYRIAKATI KI ELEVTHEROTYPIA  
in Greek 13 Mar 88 p 48

[Article by Panos Loukakos]

[Text] Vis-a-vis Turkey, Andreas Papandreou is now following the policy that the New Democracy Party had adopted prior to 1981. Konstandinos Mitsotakis is currently pursuing the same policy that PASOK had when that party was in the opposition. But Papandreou does not want to admit the obvious truth—that he is now doing what he used to denounce in the past. And Mitsotakis does not understand that he loses credibility when he denounces what he himself used to do as minister of foreign affairs in the New Democracy government.

Thus, it is no wonder that the discussion in the Chamber of Deputies the other day about foreign policy degenerated into a mere exchange of insults. Because a substantive political difference neither existed nor could exist.

On the one hand the prime minister is an agent of the Turks—he does not know what he is saying when he talks with them, just as he does not know what he is saying to the Greek Chamber of Deputies; he is dangerous, overreager to make concessions, is leading the country to catastrophe, and is always ready to commit acts that sell the nation short. At least these things are asserted by the leader of the official opposition.

On the other hand, the leader of the official opposition is likewise an agent—but in his case an agent of the former king's palace—and is likewise always ready to betray sovereign national rights. But at the same time he also has health problems. In dealing with key governmental matters, he suffers from blockages and impairments of brain functioning, and in conversation "he is not normal." These things at least are what the prime minister asserts.

If any conclusion emerges from all these incoherencies that were heard the other day in the Chamber of Deputies, from the substituting of insults for parliamentary dialogue, it has to do neither with Greek-Turkish relations nor with foreign policy. It has to do by and large with the political changes in this country, it concerns the

course of our political life in the immediately coming years, and finally it concerns the tone and character of the political confrontation that Papandreou and Mitsotakis have dictated.

Neither has Papandreou explained what the reasons are that led to his radical about-face in policy vis-a-vis Turkey, nor has Mitsotakis explained why and where he differs. Because, of course, the things about selling the nation short, about "being an agent," about brain impairments and the like do not constitute political arguments.

Thus the debate the other day in the Chamber of Deputies also showed that we in this country are confronted with an acute political problem. It demonstrated that even at a time when problems of our national survival are being discussed, the leaderships of the two large parties—which together speak for about 90 percent of the Greek people—are becoming completely unable to articulate a substantive and well-formed line of political reasoning. And for this reason they insult each other in order to conceal their inability to speak not only with each other but also to the Greek people.

But the other day something else became apparent also: That this downward course will go on for some time yet. Mitsotakis offered to produce the conscription documents of Papandreou. On the other hand, Papandreou clearly hinted that one of his election-campaign weapons will be the Cyprus affair, since the relevant inquiry committee is heading toward a finding that will cast blame on the New Democracy administration for its actions in 1974.

In 1985 we went to elections with the obscenities that depicted Mitsotakis as a Nazi. In 1989 the scenario will perhaps be even worse: Everybody will characterize the others as traitors and disparagers, all will try to prove that their opponents are not simply opponents but dangers to the nation. Mitsotakis and Papandreou are no longer concealing their intentions as to the tactics that they have chosen. Evidently they have no concern for the very grave political consequences of such tactics.

12114

### Poll Among Personalities Reveals Low Papandreou, Mitsotakis Standing

35210085a Athens I AVGI in Greek 29 Mar 88 p 1

[Article by K. Spyropoulos: "Gallup on the Leader in 1990. Deputies and PASOK-ND Officials 'Cast Their Votes.' Andreas Papandreou Receives 18 Percent, Konstantine Mitsotakis, 10 Percent."]

[Text] Neither PASOK deputies, nor PASOK officials know who will be their leaders in two years, and only 18 percent believe that it will be Mr Papandreou. On the



other hand, the ND deputies and officials are certain that their leader will not be Mr Mitsotakis—only 10 percent believe he will—and a majority turns to Mr Evert.

These impressive data are included in a poll undertaken by the METRIX firm on commission from an investors' group during the November-February quarter. Participants in this poll were 250 personalities, composed of deputies, party officials and businessmen. According to information provided by an ND deputy who participated in the poll, the rate of confidential and discreet response by politicians of both parties exceeded 50 percent.

Furthermore, from the above poll it can be concluded that 9 out of 10 of the respondents did not believe on the eve of the Davos meetings that friendly relations with Turkey could be established in the next ten years!

Specifically, on the question of party leadership for either party during the '90s, complete confusion reigns among the proven closest associates of Messrs Papandreou and Mitsotakis.

Two-thirds of the PASOK deputies and officials refused to answer the question on who will lead the PASOK during the '90s. The remainder mentioned Mr Papandreou, with Mr Gennimatas in second place. However, even among ND respondents, only 25 percent mentioned Mr Mitsotakis; 50 percent of the ND respondents indicated Mr Evert, while 25 percent did not respond. And while both parties are talking about 1992, Mr Papandreou and Mr Mitsotakis are fighting over who will lead us there!

Surprising also are the results of the poll with respect to the relations with Turkey. On the eve of the Davos negotiations, 9 out of 20 of the polled "shapers of public opinion" discarded any hope of "friendly relations" during the next decade. This is still another indication of how little the Davos "turn" was expected within PASOK, and of the little faith of ND deputies in the policy of dialogue.

A proof of the politico-ideological confusion that prevails within the leadership is the nature of their response to economic issues. There exists a convergence of opinions on the state's playing an active role in economic activity. However, at the same time, the overwhelming majority of ND businessmen support the privatization of the big public enterprises, a policy supported as well by certain PASOK politicians.

As for the 1988 course of the economy, there is an impressive convergence of views between PASOK officials and businessmen, while ND officials express their pessimism.

PASOK respondents are not unanimous on the issue of the U.S. bases. Fifty percent wish them removed from Greece, while the remainder wish them to stay with or even without any conditions.

Diverging or completely opposite views are expressed on social issues—automatic divorce, birth control—where the PASOK officials differ from the PASOK deputies, who espouse traditional-conservative views.

Furthermore, the poll's results show, on the one hand, that leadership character of PASOK (absolute leader-ideology identification), and on the other hand, the alienation of Mr Mitsotakis.

13373/9274

#### **Poll Shows Pasok, ND Gap Reduced, Pasok Turn Acknowledged**

*35210083a Athens ETHNOS in Greek  
14 Mar 88 pp 31-33*

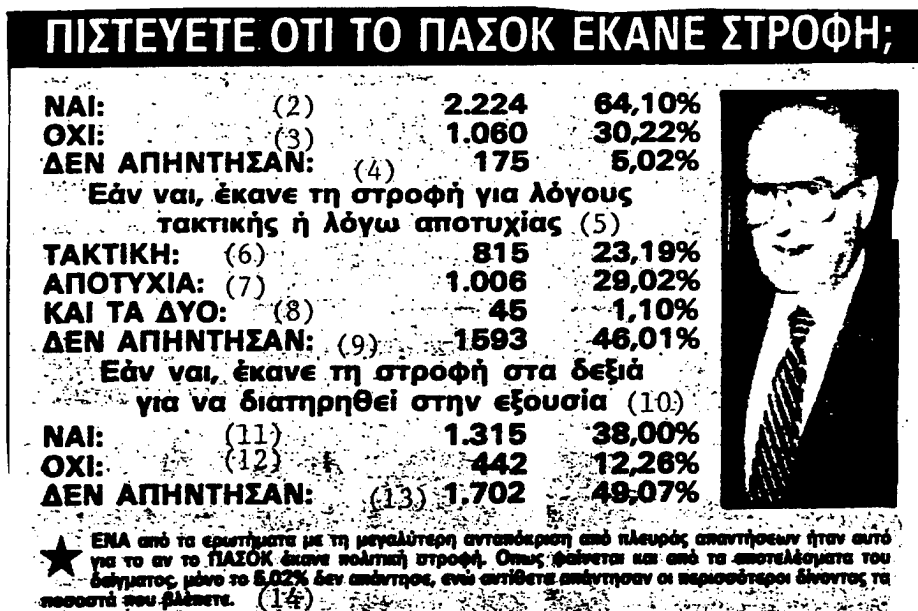
[Text] An ETHNOS poll has shown that 64.10 percent of 3,459 persons questioned believe that PASOK has made a political turn, while 30.22 percent believe just the opposite.

Those questioned attribute this turn to the following factors:

1. To tactical reasons, 23.19 percent.
2. To reasons of failure, 29.02 percent.
3. To both of the above, 1.10 percent. (46.01 percent, however, do not reveal what they believed).
4. Some 38 percent believe that it is making a turn toward the Right in order to remain in power, while 12.26 percent do not believe this and 49.07 percent refuse to answer.

The same poll statistics show that the economic situation is the factor that will influence voters the most in the coming elections. To a considerable degree, both the morals of political personalities and the bases issue will have a determining effect on their final choice.

Thus, to the question "your vote will be influenced more by (a) the economic situation, (b) the morals of political personalities, and (c) the bases," the answers given were shaped with the following percentages: 65.01 percent of those questioned stated that their vote would be influenced by the economic situation. (On the other hand, 13.30 percent stated no, while 21.02 percent of those questioned did not answer).



Key:

1. Do you believe that PASOK has made a turn? 2. Yes. 3. No. 4. Did not answer. 5. If yes, did it do so for tactical reasons or because of failure? 6. Tactical. 7. Failure. 8. Both. 9. Did not answer. 10. If yes, did it make a turn to the Right to stay in power? 11. Yes; 12. No; 13. Did not answer; 14. One of the questions with the greatest response in answers given was the one if PASOK had made a political turn. As shown from the poll results, only 5.02 percent did not answer, while, on the other hand, most answered giving the percentages you see above.

The morals of political personalities is a determining factor in shaping the electoral opinion of 47.15 percent of those questioned. (18.05 percent of those questioned did not consider it so, while 34.13 percent did not answer the specific question).

The bases issue comes in third in the estimation of those questioned. A 29.19 percent answered that the bases issue will influence their vote more than the other two factors, while 23.22 percent said no and 46.26 percent did not answer.

While the 29.19 percent of those questioned consider that the bases issue will influence their vote, the percentage of people who answer that they do not want the bases is much greater. Specifically, one in two want the bases to go.

#### The Bases

In answer to the question, "Should the bases stay or not," a question put to voters in the poll, 51.28 percent said no and 28.01 percent said yes. A small percentage,

namely 0.15 percent, showed indifference. In other words, they answered with the sentence, "It doesn't make any difference to me" or "It is of no interest to me." We should point out that 19.23 percent did not answer the question.

Until now, the data that we have given came from the processing of answers of the poll from the entire country.

It is time, however, to view the various regions more closely and with more detail, specifically Athens and Piraeus. In another article we will see how other regions of Greece voted.

Athens and Piraeus were divided into 10 areas for the former and three for the latter in such a way as to ensure the best possible representation of the poll sample.

PASOK leads here with a 1.13 percent difference over ND. On the other hand, in Piraeus, ND leads PASOK by 7.2 percentage points, in spite of some losses. A total of 2,545 individuals were questioned, 1,795 men and 640 women.

**ΤΙ ΘΑ ΕΠΗΡΕΑΣΕΙ ΤΗΝ ΨΗΦΟ ΣΑΣ;**

(2) α) Η οικονομική κατάσταση

ΝΑΙ:	(3)	2.250	65,01%
ΟΧΙ:	(4)	480	13,30%
ΔΕΝ ΑΠΗΝΤΗΣΑΝ:	(5)	729	21,02%

(6) β) Το ήθος των πολιτικών προσώπων

ΝΑΙ:	(7)	1.641	47,15%
ΟΧΙ:	(8)	628	18,05%
ΔΕΝ ΑΠΗΝΤΗΣΑΝ:	(9)	1.190	34,13%

(10) γ) Οι Βάσεις

ΝΑΙ:	(11)	1.023	29,19%
ΟΧΙ:	(12)	818	23,22%
ΔΕΝ ΑΠΗΝΤΗΣΑΝ:	(13)	1.618	46,26%

★ Η οικονομική κατάσταση της χώρας θα επηρεάσει κατά μεγάλο ποσοστό, 65,01%, τους ψηφοφόρους των προσεχών εκλογών. Αλλά θα παίζει ρόλο στη διαμόρφωση της επιλογής τους και το ήθος των πολιτικών προσώπων και το θέμα των βάσεων, όπως δείχνουν τα ποσοστά που διαμορφώνονται από τις απαντήσεις των ερωτηθέντων. (14)



Key:

1. What will influence your vote? 2. (a) The economic situation; 3. Yes; 4. No; 5. Did not answer; 6. (b) The morals of political personalities; 7. Yes; 8. No; 9. Did not answer; 10. (c) The bases; 11. Yes; 12. No; 13. Did not answer; 14. The economic situation of the country will influence a great percentage, namely 65.01 percent, of the voters in the next elections. However, also playing a role in the shaping of their choices will be the morals of political personalities and the bases issue, as the percentages that are shaped from the answers given show.

Here, too, the response and interest in questions relating to how they would vote is great, with the top question being whether they had confidence in the leader of the major government opposition party.

Of those questioned, only 90 did not give an answer, that is 3.13 percent. All the rest answered, finally utterly destroying Mr Mitsotakis once again: 73.03 percent of those questioned in Athens answered that they do not have confidence in him and only 23.08 percent answered in the affirmative.

Also getting a lot of response was the relative question about the Greek prime minister: 37.08 percent answered that they have confidence in him, while 58.15 percent said no, and 4.01 percent did not answer.

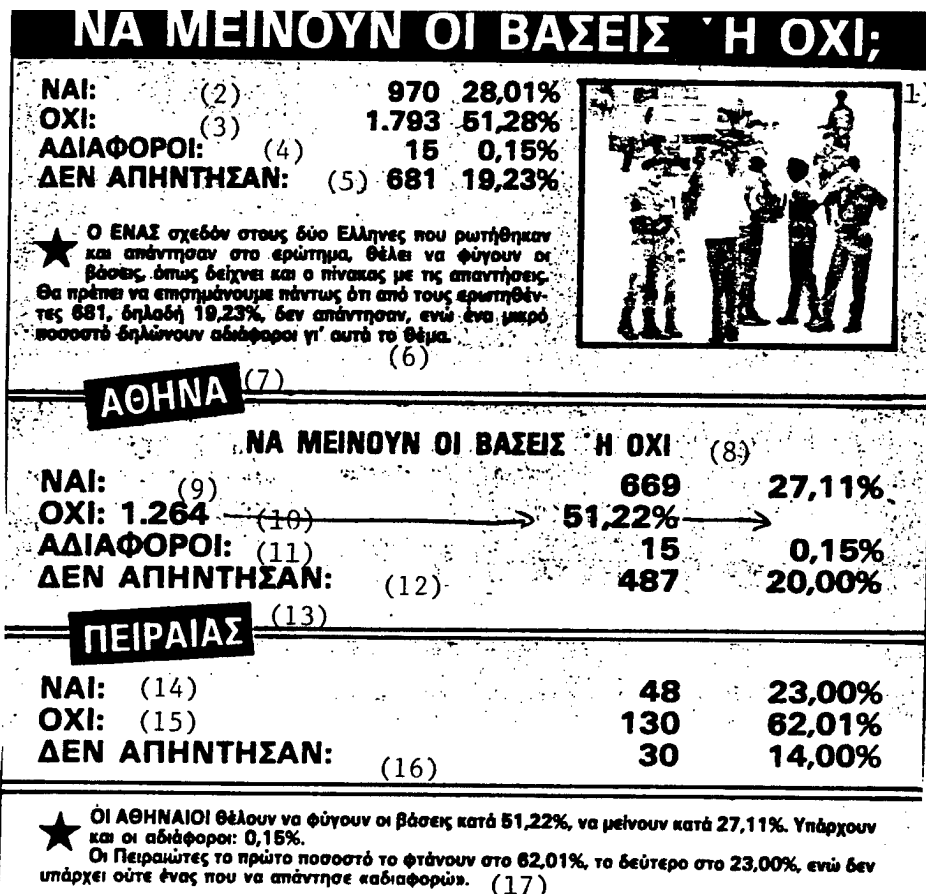
The percentage of those who said that they do not have confidence in the prime minister's Turkish interlocutors is high: 77.20 percent answered no and only 15.06 percent said yes. A 6.24 percent did not answer the question.

What would those residents of Athens questioned vote for? PASOK, 28.16 percent; ND 27.03 percent; KKE, 16.21 percent; and EAR [Greek Left], 30.2 percent. Undecided, 22 percent.

What had they voted for in the past? PASOK, 47.16 percent; ND, 26.11 percent; KKE, 18.06 percent; and KKE (Int), 3.05 percent.

From a comparison of these percentages with the corresponding ones that come from answers of the poll about voter choices in the previous elections it appears that PASOK has suffered a voter loss of 19 percentage points, while ND shows a small 0.92 increase. The KKE shows a 1.85 percent loss. Here too the undecided play a role, 7.06 stating that they would cast blank ballots and 2.24 percent would abstain.

Two explanatory points for our readers: they ask, why are KODISO [Democratic Socialism Party] and EDIK [Democratic Center Union] referred to in the table "What Did You Vote for in the Previous Elections?" when these parties did not exist then? These were the



Key:

1. Should the bases remain or not?; 2. Yes; 3. No. 4. Indifferent; 5. Did not answer; 6. Almost one in two Greeks who were questioned and who answered the question want the bases to go, as shown in the table and answers given. It must be pointed out, nevertheless, that of the 681 persons questioned, that is 19.23 percent, did not answer, while a small percentage states indifference over this issue; 7. Athens; 8. Should the bases remain or not?; 9. Yes; 10. No; 11. Indifferent; 12. Did not answer; 13. Piraeus; 14. Yes; 15. No; 16. Did not answer; 17. A 51.22 percent of the Athenians want the bases to go, while 27.11 percent want them to stay. A 0.15 percent are indifferent. A 62.01 percent of residents of Piraeus say no and 23 percent say yes, while there was not even one person who answered that he was "indifferent."

Results of the Poll in Athens

Table 1

(1) ΠΟΙΟ ΚΟΜΜΑ ΘΑ ΨΗΦΙΣΕΤΕ ΣΤΙΣ ΠΡΟΣΕΧΕΙΣ ΕΚΛΟΓΕΣ			
ΠΑΣΟΚ	(2)	698	28,16%
Ν. ΔΗΜΟΚΡΑΤΙΑ	(3)	661	27,03%
ΚΚΕ	(4)	411	16,21%
ΕΛ. ΑΡΙΣΤΕΡΑ	(5)	76	3,02%
ΚΟΔΗΣΟ	(6)	3	0,03%
ΔΗΑΝΑ	(7)	17	0,17%
ΕΠΕΝ	(8)	28	1,03%
ΕΔΕ	(9)		0,00%
ΕΔΗΚ	(10)	1	0,01%
ΑΝΑΠΟΦΑΣΙΣΤΟΙ	(11)	536	22,00%
ΦΙΛΕΛΕΥΘΕΡΟΙ	(12)	3	0,03%
ΤΡΟΤΣΚΙΣΤΕΣ	(13)	1	0,00%

Key:

1. What party would you vote for in the next elections?; 2. PASOK;
3. ND; 4. KKE; 5. EAR; 6. KODISO; 7. DIANA /Democratic Renewal/;
8. EPEN /National Political Union/; 9. EDE /National Democratic Union/;
10. EDIK; 11. Undecided; 12. Liberals; 13. Trotskiites.

Table 2

(1) ΤΙ ΨΗΦΙΣΑΤΕ ΣΤΙΣ ΠΡΟΗΓΟΥΜΕΝΕΣ ΕΚΛΟΓΕΣ			
ΠΑΣΟΚ	(2)	985	47,16%
Ν. ΔΗΜΟΚΡΑΤΙΑ	(3)	547	26,11%
ΚΚΕ	(4)	377	18,06%
ΕΛ. ΑΡΙΣΤΕΡΑ	(5)	67	3,05%
ΚΟΔΗΣΟ	(6)	2	0,02%
ΔΗΑΝΑ	(7)	1	0,01%
ΕΠΕΝ	(8)	23	1,02%
ΕΔΕ	(9)	1	0,01%
ΕΔΗΚ	(10)	1	0,01%
ΛΕΥΚΟ	(11)	56	2,14%

Key:

1. What party did you vote for in the previous elections? 2. PASOK;
3. ND; 4. KKE; 5. EAR; 6. KODISO; 7. DIANA; 8. EPEN; 9. EDE; 10. EDIK;
11. Blank ballot.

Results of the Poll in Piraeus

(1) ΠΟΙΟ ΚΟΜΜΑ ΘΑ ΨΗΦΙΣΕΤΕ ΣΤΙΣ ΠΡΟΣΕΧΕΙΣ ΕΚΛΟΓΕΣ		
ΠΑΣΟΚ .....	(2) 38	18,00%
Ν. ΔΗΜΟΚΡΑΤΙΑ .....	(3) 54	25,02%
ΚΚΕ .....	(4) 34	16,00%
ΕΛ. ΑΡΙΣΤΕΡΑ .....	(5) 2	0,02%
ΚΟΔΗΣΟ .....	(6)	0,00%
ΔΗΑΝΑ .....	(7)	0,00%
ΕΠΕΝ .....	(8) 4	1,01%
ΕΔΕ .....	(9)	0,00%
ΕΔΗΚ .....	(10)	0,00%
ΑΝΑΠΟΦΑΣΙΣΤΟΙ .....	(11) 76	36,01%
ΦΙΛΕΛΕΥΘΕΡΟΙ .....	(12)	0,00%
ΤΡΟΤΣΚΙΣΤΕΣ .....	(13)	0,00%

Key:

1. What party would you vote for in the next elections? 2. PASOK;  
3. ND; 4. KKE; 5. EAR; 6. KODISO; 7. DIANA; 8. EPEN; 9. EDE; 10. EDIK;  
11. Undecided; 12. Liberals; 13. Trotskiites.

(1) ΤΙ ΨΗΦΙΣΑΤΕ ΣΤΙΣ ΠΡΟΗΓΟΥΜΕΝΕΣ ΕΚΛΟΓΕΣ		
ΠΑΣΟΚ .....	(2) 87	52,00%
Ν. ΔΗΜΟΚΡΑΤΙΑ .....	(3) 48	28,01%
ΚΚΕ .....	(4) 21	12,00%
ΕΛ. ΑΡΙΣΤΕΡΑ .....	(5) 4	2,00%
ΚΟΔΗΣΟ .....	(6)	0,00%
ΔΗΑΝΑ .....	(7)	0,00%
ΕΠΕΝ .....	(8) 2	1,00%
ΕΔΕ .....	(9)	0,00%
ΕΔΗΚ .....	(10)	0,00%
ΛΕΥΚΟ .....	(11) 5	2,01%

Key:

1. What party did you vote for in the previous elections? 2. PASOK;  
3. ND; 4. KKE; 5. EAR; 6. KODISO; 7. DIANA; 8. EPEN; 9. EDE; 10. EDIK;  
11. Blank ballot.

Poll Results for All of Greece  
(Total 3,459 persons questioned, 2,440 men  
and 819 women)

1 (1) ΤΙ ΘΑ ΨΗΦΙΖΕΤΕ ΣΤΙΣ ΠΡΟΣΕΧΕΙΣ ΕΚΛΟΓΕΣ			
ΠΑΣΟΚ .....	(2) 1.043	34,24%	
Ν. ΔΗΜΟΚΡΑΤΙΑ .....	(3) 951	32,22%	
ΚΚΕ .....	(4) 551	18,11%	
ΕΛ. ΑΡΙΣΤΕΡΑ .....	(5) 102	3,12%	
ΚΟΔΗΣΟ .....	(6) 3	0,03%	
ΔΗΑΝΑ .....	(7) 20	0,20%	
ΕΠΕΝ .....	(8) 39	1,09%	
ΕΔΕ .....	(9)	0,00%	
ΕΔΗΚ .....	(10) 2	0,02%	
ΑΝΑΠΟΦΑΣΙΣΤΟΙ .....	(11) 280	9,10%	
ΦΙΛΕΛΕΥΘΕΡΟΙ .....	(12) 4	0,04%	
ΤΡΟΤΣΚΙΣΤΕΣ .....	(13) 1	0,01%	
ΣΥΝΟΛΟ .....	(14) 2.996		

Key: 1. What would you vote for in the next elections? 2. PASOK; 3. ND;  
4. KKE; 5. EAR; 6. KODISO; 7. DIANA; 8. EPEN; 9. EDE; 10. EDIK;  
11. Undecided; 12. Liberals; 13. Trotskiites; 14. Total

2 (1) ΤΙ ΘΑ ΨΗΦΙΖΕΤΕ ΣΤΙΣ ΠΡΟΣΕΧΕΙΣ ΕΚΛΟΓΕΣ			
ΠΑΣΟΚ .....	(2) 1.043	30,05%	
Ν. ΔΗΜΟΚΡΑΤΙΑ .....	(3) 951	27,17%	
ΚΚΕ .....	(4) 551	15,32%	
ΕΛ. ΑΡΙΣΤΕΡΑ .....	(5) 102	2,32%	
ΚΟΔΗΣΟ .....	(6) 3	0,03%	
ΔΗΑΝΑ .....	(7) 20	0,20%	
ΕΠΕΝ .....	(8) 39	1,04%	
ΕΔΕ .....	(9)	0,00%	
ΕΔΗΚ .....	(10) 2	0,02%	
ΑΝΑΠΟΦΑΣΙΣΤΟΙ .....	(11) 743	21,16%	
ΦΙΛΕΛΕΥΘΕΡΟΙ .....	(12) 4	0,04%	
ΤΡΟΤΣΚΙΣΤΕΣ .....	(13) 1	0,00%	

Key: 1. What would you vote for in the next elections? 2. PASOK; 3. ND;  
4. KKE; 5. EAR; 6. KODISO; 7. DIANA; 8. EPEN; 9. EDE; 10. EDIK;  
11. Undecided; 12. Liberals; 13. Trotskiites.

(1) ΤΙ ΨΗΦΙΣΑΤΕ ΣΤΙΣ ΠΡΟΗΓΟΥΜΕΝΕΣ ΕΚΛΟΓΕΣ

ΠΑΣΟΚ .....	(2)	1.481	50,00%
Ν. ΔΗΜΟΚΡΑΤΙΑ .....	(3)	803	27,03%
ΚΚΕ .....	(4)	484	16,10%
ΚΚΕ(εσ.) .....	(5)	86	2,26%
ΚΟΔΗΣΟ .....	(6)	2	0,02%
ΕΠΕΝ .....	(7)	29	0,29%
ΕΔΕ .....	(8)	1	0,01%
ΕΔΗΚ .....	(9)	2	0,02%
ΛΕΥΚΟ .....	(10)	72	2,12%

Key: 1. What did you vote for in the previous elections? 2. PASOK; 3. ND; 4. KKE; 5. KKE (Int); 6. KODISO; 7. EPEN; 8. EDE; 9. EDIK; 10. Blank ballot.

answers those who dropped their questionnaires in ETHNOS' boxes gave and we respect them. They evidently meant Messrs Zigdis and Pesmazoglou. We, however, are obliged to record this.

In certain cases, the overall number of those questioned does not agree (it is greater than the overall number of men and women who were questioned). This is because not everyone recorded their data fully enough to determine if the question was answered by a man or a woman. For example, M.K., physician or civil servant, 30 years of age, etc. The Economic Criteria

The economic situation will influence Athens voters more: 65.17 percent of those living in Athens questioned gave this answer.

Some 46.01 percent said they will be influenced by the morals of political personalities, while 29.06 percent said they will be influenced by the bases issue. However, many do not answer this question and its three sub-questions. Thus 20.03 percent do not answer the first question, 35.04 percent do not answer the second, while 47.19 percent do not answer the third.

Of the residents of Athens questioned 68.03 percent find that PASOK has made a turn (31.13 percent said no); 24.02 percent believe it was made for tactical reasons, 27.19 percent for reasons of failure, of those answering

yes 36.19 percent find that it has made a turn to the Right in order to stay in power (11.17 percent believe just the opposite), while 51.12 percent did not answer the question.

Significant is the fact that more Athenians want the bases to go given that: 51.08 percent answer that the bases must go (the answer of the sample that was larger by at least 1,000 more people for all of Greece was 51.28 percent while 28.13 percent said they wanted the bases to stay. Those showing indifference were at the same percentage point, namely 0.15 percent).

Significant data and also messages from Piraeus: Great losses for PASOK from its own camp. It is shown as losing 32 percentage points compared to the choices made in the previous elections, with the result that ND goes into the lead by 7.02 percent but also showing a drop of 3 percentage points. On the other hand, the KKE shows, according to the same statistics, a rise.

From poll responses to the question of what the voters would vote for, the following percentages are constructed for the various parties:

PASOK, 18 percent; ND, 25.02 percent; KKE, 16 percent; EAR, 0.02 percent.

Ten percent say that they would cast blank ballots and 2 percent would abstain from the elections.

The 208 people who were asked what they voted for in the previous elections answered as follows: PASOK, 52 percent; ND, 28.01 percent; KKE, 12 percent; and KKE (Int) (at the time), 2 percent.



Nevertheless, ND also shows a drop of almost 3 percentage points (2.99 percent).

On the other hand, the KKE shows a rise of 4 percentage points.

Nevertheless, the high percentage of those undecided voters, namely 36.01 percent, suggests caution. Some 62.02 percent of the residents of Piraeus find that PASOK has made a political turn, while 34.01 percent say no.

While 71 percent of those questioned stated that the economic situation will influence their vote foremost, 49 percent said morals of political personalities will have a primary influence, while 35.01 percent said the bases issue will be of prime influence.

While 62 percent believe that the bases must leave, 23 percent say no. (14 percent did not answer the question.)

Piraeus residents too do not trust the sincerity of the prime minister's Turkish interlocutors: 77 percent say no to the question while 15 percent say yes. Seven percent do not answer the question.

Voters do not have confidence in the leader of the major government opposition party: 73 percent say they do not while 25 percent say they do. Only 1.10 percent do not answer.

If we take into consideration that 178 of the 208 persons questioned answered the first question and 25.02 persons stated that they would vote for ND, 18 percent for PASOK, and 16 percent for the KKE, even if we were to include the undecided, namely 36.01 percent, it ensues that a significant 3 percent at least who belong to ND do not have confidence in the leader of their party. Also 58.01 percent state that they do not have confidence in the prime minister while 37.10 percent answer that they do.

05671/06662

### **Reasons for Perceived Plunge in PASOK-KKE Relations**

35210085b Athens *POLITIKA THEMATA* in Greek  
25-31 Mar 88 p 13

[Article: "PASOK-KKE: In Conflict. The Reason: The Simple Proportional Electoral System"]

[Text] The nature PASOK-KKE relations reminds one of that between Greece and America. From time to time they enter placid waters, and then, some event will occur and stir them up again.

Right now, they are once again in a confrontational mood, especially after the last personal affront with the ostentatious departure of Mr Papandreou from the Parliament at the very moment Mr Kh. Florakis was taking the floor; this incident was the most difficult to swallow

for the KKE. They are now looking for an opportunity to take revenge!

With respect to the relations between PASOK and the KKE, our political correspondent has the following comments:

Recently, the open and intense confrontations between the PASOK and the KKE have become more frequent, reaching even the point of public attacks for actions or omissions. However strange confrontations might appear to the general reader, those who follow closely the developments and the course of both parties are not surprised at all. On the contrary, they admit that they had foreseen the present tension, because they believed that it was the unavoidable consequence of a friendship among wolves.

What is there behind such a crisis? Nothing more than the desire of KKE to exert pressure upon the government and the PASOK party to modify the electoral system into the simple proportional one. A change which will benefit, no doubt, the KKE, which, it is convinced, will emerge in the aftermath of the elections as the decisive factor in the formation of the first postwar "coalition government" (PASOK plus KKE) in order to frustrate a return of the right to power. Under these assumptions, further developments are not only logical but also unavoidable.

During the last several-hours-long tete-a-tete in Kastri, the General Secretary of the KKE, Mr Khar. Florakis had no difficulty realizing that his interlocutor not only had no desire whatsoever to commit himself to the simple proportional system, but also did his best to keep this issue pending.

Since then, the tension between the two parties reached a peak. Top officials within the Government and PASOK in public statements have been accusing the KKE of being the instigator of social upheavals as a means of achieving the simple proportional system. And as it subsequently turned out the confrontations continued and deteriorated further, exacerbating the already tense political atmosphere.

Since that meeting, of course, we have had a series of public renunciations, statements and reciprocal accusations, especially from the KKE's side, with counterattacks from the PASOK by means of a worn-out formula about an "unholy alliance" between the KKE and the New Democracy, etc.

In its present position the PASOK is completely incapable of waging a political war at two fronts simultaneously. It could not sustain such an enterprise, because in such a case, PASOK would shrink to 20 percent-25 percent of the electorate's vote. Hence, the entire "weight" of the political struggle should—in a logical sequence—be concentrated against the Right, while at the same time securing its rear against its vulnerable left wing. To the question of how to achieve this, we can only provide rational answers. The first one is in a negative context: i.e., the PASOK cannot be agreeable and pleasing to the KKE on the subject of the simple proportional electoral system, because such a gesture would correspond to its own definitive demise. And such an outcome it neither desires, nor will it ever risk. Hence the

quid pro quo must be found in other areas. There are several people who insist that finally the KKE will have to bear, with mathematical exactitude, the entire cost of Mr Papandreou's desire to win the elections, since under a new electoral system, which Mr Papandreou has already finalized, the KKE will willy-nilly play the role of water-carrier for PASOK, trapping once again its own voters, who will be forced in the final analysis to cast their vote in favor of the PASOK's candidates.

#### How Free Is the KKE?

Within the framework of the assumption that the KKE's latitude for action or rather reaction is pre-determined if not completely fixed, political observers estimate that the KKE leadership is presently "shackled" because of the obvious preference of Moscow for the PASOK government. This preference has been manifested on many occasions up until now, either in communiqués, or in statements, or in verbal overtures towards the "peace-loving" PASOK policies. And the critical question becomes: how free is Mr Khar. Florakis in determining the KKE policies vis-a-vis the PASOK and its government, when Moscow itself for reasons of its own prefers a PASOK government over a New Democracy government? Is it possible for Mr Florakis, or any other KKE leader for that matter, to exercise free choice based exclusively on his own internal criteria?

Reliable political observers predict that the present situation of skirmishes will continue until the beginning of the electoral campaign; that is, until the conditions under which the Greek people will go to the urns for the fifth time since the restoration of democracy in Greece are finalized. They add that more general and, at the same time more specific, reasons have compelled the two parties to skirmishes rather than a head-on collision for motives which each of them considers as involving political survival.

13373/9274

#### Poll Shows Attiki Voters Increasingly Turning to ND

35210083b Athens I KATHIMERINI in Greek  
3-4 Apr 88 pp 1-2

[Article by Nikos E. Simos]

[Text] ND has shown an increase of 13.1 percentage points in the Attiki panhandle. This fact comes from a poll conducted by ALCO between 29 February and 9 March for an independent concern. Another two important factors in favor of the major government opposition party reinforce the finding about a small turnabout in the electorate, namely the following:

First of all, the percentage of 1985 PASOK voters who would once again vote for their party today shows a loss of 43 percentage points versus 13 for ND. This means that the base of the major government opposition party

remains solid. Secondly, that a similar poll (with the same sample) in 1985 showed ND to be leading by 3.4 percentage points, while the actual result of the elections showed a difference in favor of ND of 4.4 percentage points.

This new poll confirms the results of all other polls conducted by both parties that give the lead to the major government opposition party. Moreover, the fact (that also reflects the broader effect of the liberal forces in the electorate's preferences) is not fortuitous that the polls show Mr K. Karamanlis, the founder of ND, to be getting close to 66 percent for the first time, while second in the preferences of those questioned is another representative of the liberal faction, namely Mr Evert with 53 percent, coming out equal to Mr Gennimatas who shows a constant drop.

With regard to the new poll, the electoral choices of those questioned about 1985 and the present show the following results:

Note: In the table that follows, the column of figures from left to right refer to the following: the first to those questioned in 1985, the second to actual results and the third to those questioned today.

Total Number Voting	825 Percent	— Percent	900 Percent
PASOK	36.0	39.7	21.7
ND	39.4	44.1	34.8
KKE	13.0	10.6	13.9
KKE (Int)	5.8	4.4	1.4
DIANA [Democratic Renewal]	—	—	1.5
EPEN [National Political Union]	0.4	0.5	0.3
Liberals	0.1	0.2	—
Others	1.1	0.5	0.8
Did not decide	—	—	16.9
Did not answer	4.4	—	4.3

According to the relative analysis:

The results of the survey are in complete agreement with actual results. If we were to subtract the additional votes of the two communist parties then the real number of PASOK voters will be revealed, while it is evident that those who did not answer are clearly rightist.

On the other hand, even though, as mentioned previously, ND is holding on to its 1985 percentages and PASOK is showing a big drop, nevertheless, this drop by PASOK does not imply corresponding gains for the major government opposition party. This is so because the 1985 PASOK voters who no longer support their party have moved over to the undecided camp. Specifically, of the 1985 PASOK voters, only 57 percent will

once again vote for it, 4 percent move over to ND, 5 percent to the KKE, 3 percent to DIANA, 2 percent to EAR [Greek Left], 25 percent are undecided, while 3 percent cast blank ballots.

On the other hand, of the 1985 ND voters, 87 percent remain firm in their choice, 2 percent move over to DIANA, and only 10 percent are undecided.

Finally, among those who did not vote in 1985, 25 percent choose PASOK, 17 percent ND, 2 percent the KKE, 6 percent EAR, while 46 percent say they are undecided and 4 percent do not answer. It is of interest to point out that if this segment of undecided voters who did not vote in 1985 were to maintain the proportions between PASOK and ND their group holds, their votes would be shared by a ratio of 60 percent in favor of PASOK and 40 percent for ND.

It is evident from this poll that the final choice of the undecided voters will once again decide the elections.

An analysis of the undecided voters shows that they come, in relation to the 1985 balloting, from the following parties:

	Percent
PASOK	51
ND	21
KKE	1
KKE(Int)	4
Did not vote	20
Did not answer	2
Blank ballot	2

Finally, yet another interesting point in the poll is the evaluation of the sample by ideology. The results of this evaluation favors ND. Thus, of the total sample, 144 are conservatives, 260 liberals, 183 Marxists, 85 non-Marxist socialist, 58 Marxist-Leninist, while 90 said "no ideology" and 80 did not answer. Of those who said they were "conservative," ND wins 78.9 percent versus 2.8 percent for PASOK. Of the liberals, 61.2 percent go to ND and 11.2 percent to PASOK. Of the Marxist-socialists, 65.9 percent go to PASOK and 2.9 percent to ND. Of those who say they have no ideology, 16.2 percent prefer PASOK, 11.8 percent ND, 7.4 percent the KKE, while 33.8 percent are undecided. On the other hand, of those who did not answer, 20 percent prefer ND, 10 percent PASOK, 6.7 percent the KKE, and 23.3 are undecided.

05671/06662

## NETHERLANDS

### Analysis of Voters' Behavior in December 1987 Election

36140017 Brussels DE STANDAARD in Dutch  
9 Mar 88 p 3

[Article by MDW: "Swyngedouw and Billiet Analyze Voter Behavior on 13 December 1987: Party Loyalty Somewhat Greater Than in 1985: CVP Loses Primarily to PVV and VU: SP Gets Largest Group of New Voters: AGALEV Youngest, CVP Oldest Supporters"]

[Text] Three months after the parliamentary elections on 13 December 1987, the first—and presumably the only—analysis of voting behavior in Flanders is now available. As was the case after the 1985 elections, it was done by Marc Swyngedouw (then of the Catholic University of Louvain, now of the Erasmus University of Rotterdam), who this time had the help of Jaak Billiet (Catholic University of Louvain).

The analysis was done on the basis of a number of opinion polls that were conducted before the election, including the Dimarso polls that were published in DE STANDAARD. In order to increase the reliability and validity of them, the poll results were subjected to a series of statistical revisions, including an adjustment of the election results in 1985 and in 1987.

Nevertheless, the authors issue abundant warnings in their report that all the figures are estimates. They do not indicate a true number, but rather represent the order of magnitude of the true figures.

The gain or loss of a party is the resultant of various factors. Between two elections, a number of voters are expunged as a result of death, illness, emigration,... On the other hand, there are a number of newcomers: young people voting for the first time.

The voters who participated in both elections are divided into loyal voters, who always vote for the same party, and floating voters, who change parties.

For lack of exact data, Swyngedouw and Billiet assume that on 13 December 1987 approximately 127,000 newcomers replaced the 127,000 expunged voters, meaning that they voted the same way as the former voters did in 1985. Since this is not really the case, this necessary assumption results in a slight distortion in the analysis. Of the other 33,000 newcomers—the net growth in the electorate since 1985—the polls indicate something about their actual voting behavior.

#### Fewer "Floaters"

Approximately 450,000 to 550,000—or 13 to 16 percent—of the 3.6 million voters in Flanders—excluding, as always, Brussels-Halle-Vilvoorde—voted differently on 13 December 1987 than they had done in 1985. For

1985, Swyngedouw had calculated the number of floating voters at 20 percent. Thus, in 1987 there were around one-quarter fewer "floaters." In contrast, the number of loyal voters, at 87 to 84 percent, was higher in 1987 than in 1985.

According to party, the percentage of loyal voters for 1987 looks like this (with the figure for 1985 in parentheses): PVV: 90.1 (67.1); SP 88.4 (90.6); CVP: 84.3 (84.2); VU: 81.3 (57.2). For AGALEV, party loyalty in 1987 (73 percent) would be lower than in 1985 (81.6 percent), but because of the small number of AGALEV voters in the 1985 sample, that difference is not significant.

For the "other parties"—a category that, for lack of data, cannot be further broken down—the number of loyal voters grew from 40.2 to 78.5 percent. Swyngedouw and Billiet assumed that the small leftist parties alone can still count on loyal voters, and that the Flemish Bloc gained a group of loyal voters in 1985.

#### Shifts

The shifts among the five largest Flemish parties are reflected in the graphic [not reproduced]. For each party, there is an indication of how many voters it lost to the other parties and how many voters crossed over to it from the other parties. The (rounded-off) figures do not indicate any true number, but rather an order of magnitude. There is also interplay between the five large parties, the smaller parties and the abstaining/invalid voters.

The CVP suffered a net loss of votes to all parties, especially to the PVV (30,500) and the VU (23,000).

The PVV achieved a net gain from all parties, the most from the CVP (30,500) and the VU (4,500).

The SP registered a net gain from the CVP (16,000 votes) and the VU (6,000). It had a net loss in voters to the PVV (1,500). In contrast to in 1985, gains and losses with respect to AGALEV were balanced.

The VU won a net total of 23,000 votes from the CVP, but lost to the SP (6,000), the PVV (4,500) and AGALEV (4,000).

AGALEV registered net gains at the expense of the CVP (9,500) and the VU (4,000). Nevertheless, the largest net gain (17,000) comes from the group of voters who abstained or were ruled invalid in 1985.

About the Flemish Bloc, the researchers assume that the new voters for that party are primarily abstaining/invalid voters from 1985 and secondly CVP voters from 1985.

It is apparently primarily young people (18-34 years old), professionals, executives, self-employed persons and non-active persons who changed parties on 13 December 1987.

#### New Voters

Of the new voters who went to the polls for the first time on 13 December, 25.7 percent are estimated to have voted for an SP list, 17 percent for the CVP, 15.2 percent for AGALEV, 13.9 percent for the PVV, 13.4 percent for the VU and approximately 7 percent for the smaller parties and abstaining/invalid.

The study further shows that AGALEV and the CVP are the parties that most appealed to a particular age group. The Greens scored extremely well in the 18 to 34 age group; they got 12.6 percent of the votes there (compared to an average of 7.3 percent in Flanders). In contrast, of all parties the CVP won the most votes among those 46 and older (38.9 percent, compared to an average vote of 31.4 percent); among voters between 18 and 34, the party received only 22 percent of the votes.

Gender itself had no significant influence on party preference, although profession did. Executives, professionals and self-employed persons voted more for the PVV than for other parties, while the SP received more votes from workers, service-sector employees, lower-level civil servants and voters without professions.

#### Explanation

Swyngedouw and Billiet attempted to explain the election results of 13 December 1987 on the basis of several social factors.

They attribute the CVP loss to the further disintegration of societal pillar-groups, whereby the party continues to enjoy support from the power centers of the Catholic pillar-group, but increasingly less from the "members" of it.

The spread of so-called yuppie values, such as individual responsibility, individual success, self-determination, freedom, achievement..., which are best embodied by neo-liberalism, can partially explain the PVV success.

According to the authors, AGALEV, which is typified as a party supported by people who are much richer culturally than they are materially, and probably the Flemish Bloc as well, are carried by the fact of the dual society, with its increasing contradiction between "the haves" and "the have-nots."

Finally, in contrast to 1985, inter-regional tensions (Fourens) had an effect on voting behavior, albeit a moderate one.

M. Swyngedouw and J. Billiet, "From 13 to 13: An Analysis of the Changes in Voting Behavior in Flanders, 1985-1987." The report can be ordered by transferring 230 francs to account 431-037011-26 of the Department of Sociology of the Catholic University of Louvain, under the title "From 13 to 13."

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## NORWAY

### Labor Party Leaders Worried About Continuing Poll Declines

#### Conservatives Take Lead

36390052 Oslo ARBEIDERBLADET in Norwegian  
19 Mar 88 p 6

[Article by Nils Ottar Ask: "Conservative Party More Popular Than Labor Party"]

[Text] The Labor Party continues to regress and has to hand over its position as the country's most popular party to the Conservatives. The difference is only 0.1 percent, however, and thus clearly within the margin of error.

Despite a setback, the Progress Party continues at a high level. This is shown by the political party opinion poll which Opinion A/S has conducted for ARBEIDERBLADET in March.

The Labor Party regresses by 0.6 percent to 28.9 percent, while the Conservative Party increases its support by 1.3 percent to 29 percent. The Progress Party loses 0.7 percent but still has 16.1 percent support. The Center Party drops under the 5 percent borderline to 4.7 percent, the Christian People's Party also loses ground and gets 7.9 percent, while the Socialist Left Party improves by 0.5 percent and now has 8.2 percent of the voters behind it.

#### Other Poll

However, Norwegian Market Data's poll for the labor press gives the Labor Party 34.6 percent support, after a setback of 1.5 percent. In this poll, the Conservative Party regresses by 0.7 percent to 26.5 percent.

But Opinion A/S's March poll gives the Labor Party a powerful new boost after the party—for the first time since political opinion polls began—dropped under the 30 percent borderline in the February poll.

If the Labor Party now receives less support than the Conservative Party, this has also been recorded once before in a political opinion poll. It occurred in November 1980 when party discord was at its worst in the

months before Odvar Nordli stepped down as prime minister. The Conservative Party then had the support of 31.2 percent, as opposed to 30.9 percent for the Labor Party.

#### Consolation?

The background figures for the March poll indicate, however, that the Labor Party can find consolation in the fact that its regression is not due to the voters' defecting to other parties but to their "sitting on the fence" and adopting a wait-and-see attitude toward whom they would vote for if the election were held today. This is the main reason for the party's weak support at the moment, the background material shows. As many as 22 percent of those who voted for the party in last autumn's county board elections now say they are uncertain.

The party is not losing more than the normal number of voters to other parties. The biggest defection is to the Socialist Left Party. On the other hand, the Labor Party can make good use of the group which did not vote in the 1987 election. Twelve percent of this group say they will now vote for the Labor Party.

#### Conservatives on Offensive

The background figures further indicate that the Conservative Party is on the offensive. Those who voted for the party last year remain very loyal. Only 9 percent of those who voted Conservative last year are now uncertain.

The Conservative Party has also managed to reverse voter defection to the Progress Party and now has positive terms of trade with its competitor on the right. Seventeen percent of those uncertain in last year's election would vote for the Conservative Party today.

The Progress Party also has a very loyal band of voters, in contrast to earlier periods when the voters were extremely unstable. In addition, the party receives a steady trickle of voters from most of the other parties, it is evident from the background material.

#### Conservative/Progress Majority?

The March poll gives the Conservative and Progress parties together the support of 45.1 percent. That could have given the two parties a majority if the election had been held today. While the Center Party and the Christian People's Party have the support of 12.6 percent, the Progress Party can point to 16.1 percent.

#### Norwegian Market Data's Figures

Norwegian Market Data's poll for the labor press in the period from 15 February to 8 March yields these figures: Socialist Left Party 6.8 percent (plus 0.2 percent); Labor Party 34.6 (minus 1.5); Center Party 6.2 (minus 0.2); Christian People's Party 7.8 (plus 0.5); Conservative Party 26.5 (minus 0.7); Progress Party 12.1 (plus 1.5);

Opinion A/S-ARBEIDERBLADET's Party Poll March 1988

Party	Storting election 1985	County board election 1987	Nov 1987	Dec 1987	Jan 1988	Feb 1988	Mar 1988	Change from Feb 1988
Red Electoral Alliance	0.6	1.3	0.7	0.9	0.9	1.0	1.5	+0.5
Norwegian Communist Party	0.2	0.3	0.3	0.3	0.3	0.5	0.5	+0.2
Socialist Left Party	5.5	5.7	6.8	6.5	6.3	7.7	8.2	+0.5
Labor Party	40.8	36.0	35.1	33.1	32.9	29.5	28.9	÷0.6
Liberal Party	3.1	3.3	6.4	3.9	3.7	4.0	2.9	÷1.1
Liberal People's Party	0.5	0.4	0.4	0.2	0.1	0.1	0.0	÷0.1
Center Party	6.6	6.8	5.6	5.6	5.5	5.7	4.7	÷1.0
Christian People's Party	8.3	8.0	7.3	7.4	7.4	6.8	7.9	+1.1
Conservative Party	30.4	23.7	23.4	28.3	29.9	27.7	29.0	+1.3
Progress Party	3.7	12.2	14.1	13.7	12.8	16.8	16.1	÷0.7
Others	0.4	0.9	0.0	0.2	0.1	0.4	0.2	÷0.2

The sampling in this poll consists of 1,008 persons over 17 years of age who were plucked at random from the phone book. The margin of error varies from 2.5 percent in a 20/80 distribution of answers to roughly 3 percent in a 50/50 distribution of answers. The interviews were conducted from Monday, 4 March, to Wednesday, 16 March 1988.

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Liberal Party 3.4 (minus 0.4); Liberal People's Party 0.3 (minus 0.2); Red Electoral Alliance 0.8 (plus 0.2); Norwegian Communist Party 0.2 (same as before); other parties 1.3 (plus 1.0).

**Labor Party Secretary Comments**

36390052 Oslo ARBEIDERBLADET in Norwegian  
19 Mar 88 p 6

[Article by Nina Sandas: "Makes Comeback"]

[Text] Labor Party secretary Thorbjorn Jagland thinks that the Labor Party is doing better than the Opinion A/S poll indicates. Other recent opinion polls give the Labor Party the support of about 35 percent, he maintains.

He expects the Labor Party to make a comeback when the results of the government's policies are in. According to Jagland, the explanation for what he thinks is a temporary setback can be sought in the heavy burden which the government party bore during the wage settlement.

**Misused**

"The country's difficult economic situation is now being misused by extremist parties to pick up more votes. It's the alliance of Progress Party, Norwegian Communist Party, and Socialist Left Party on the wage settlement issue which has created problems for the Labor Party at the grass-roots level and in the trade union movement, and this dissatisfaction has unfortunately been seized upon by the Progress Party," says Jagland. He adds that the more responsible parties do not make the situation any easier by adopting such a wavering attitude.

The new factor in Norwegian politics is that an ever increasing share of voters belongs to a shifting mass which changes its political opinion on short notice, explains party secretary Jagland. Most of these people are under 35, but the elderly in the population are also an unpredictable group.

**Gather the Troops**

"Now it's a matter of regathering the troops. We can't waste time on internal disputes in the party and in the trade union movement. We have to stick to the strategy

which the Labor Party and the government have prepared. And when the positive results of our policies are seen in lower inflation and lower interest rates, the voters will also return to the fold," says Jagland.

### **Hagen Expected Greater Gains**

36390052 Oslo ARBEIDERBLADET in Norwegian  
19 Mar 88 p 6

[Article by Nina Sandas: "Not Just a Fluke"]

[Text] "It's remarkable that we've continued to hold steady at the very high level we saw last month. I had assumed that the support of over 16 percent for the Progress Party was a fluke," says party leader Carl I. Hagen about Opinion A/S's March poll.

He finds it equally remarkable that for the first time, to his knowledge, the Conservative Party is more popular than the Labor Party. Hagen thinks that the setback for the government party can be traced to dissatisfaction with the wage law.

As far as his party is concerned, he is content as long as the Progress Party occupies third place and as long as support steadily increases compared with the Storting election of 1985, when the Progress Party received 3.7 percent of the votes. "I'm well aware that it may be hard to retain the new voters and that support can drop again just as quickly," he says.

### **Conservatives' Deputy Encouraged**

36390052 Oslo ARBEIDERBLADET in Norwegian  
19 Mar 88 p 6

[Article by Nina Sandas: "Serious for Labor Party"]

[Text] "I'm very happy about the progress shown by the Conservative Party in this opinion poll. The fact that we've overtaken the Labor Party makes the future exciting. But this has to be serious for the Labor Party," says Conservative Party deputy leader Wenche Frogn Sellaeg about the Opinion A/S poll.

She thinks that the big promises the Labor Party made while in the opposition and the few opportunities the government now has to fulfill them are the reasons for sinking support.

### **Surprised**

Wenche Frogn Sellaeg is surprised that the Progress Party continues to retain such a large share—over 16 percent—of the voters. "That's why it's an important task for the Conservative Party to win back the voters who have switched to the Progress Party. But all things considered, this opinion poll shows that there's a large nonsocialist majority in the Norwegian population," she says.

The fact that the Progress Party now garners more votes than the Center Party and the Christian People's Party put together will not create major obstacles to efforts to bring about nonsocialist cooperation, believes the deputy leader. "It's essential for the Conservative Party to be as strong as possible in the time left before the next election, and from this position to work for a new nonsocialist government," she says.

### **Labor Party Cites Concern**

36390052 Oslo ARBEIDERBLADET in Norwegian  
19 Mar 88 p 2

[Editorial: "The Opinion Polls"]

[Text] Today's political opinion polls are not good news for the Labor Party. The party has regressed both in the poll which Opinion A/S conducted for ARBEIDERBLADET and the poll which comes from Norwegian Market Data. Opinion A/S has gauged the Labor Party and the Conservative Party to be equally popular, with the Conservatives 0.1 percent in the lead.

The basic figures from Opinion A/S indicate that Labor Party voters to a small degree have defected to other parties. When the party receives no greater support than it does, this can be interpreted as a form of protest. The voters are sitting on the fence to see how things turn out.

It is dangerous to link such a setback to a single issue. Just the same, there is solid ground for believing that the wage settlement is an important single issue in this connection. The demonstrations and the protests have had their effect. So far, the Labor Party alone has shouldered the political responsibility in this matter.

We find precisely this to be the big bright spot in the "dark." When the results of the wage settlement are in, most people will realize that they have benefited from having responsible Labor Federation leaders and a steadfast government in an economic situation troublesome for the country. It will also yield political profit to the Labor Party.

### **Progress Party Threatens Conservatives**

36390052 Oslo ARBEIDERBLADET in Norwegian  
21 Mar 88 p 2

[Editorial: "Conservative Party in Progress Party's Clothes"]

[Text] We understand very well that the Progress Party's ample support has an alarming effect on the Conservative Party. If the trend continues at the same pace as heretofore, it is just a matter of time before the Progress Party assumes the Conservative Party's role on the right side of our political spectrum. There is no clear explanation for the ease with which the Progress Party has managed to gather up voters on the conservative side of Norwegian politics. Part of the reason is to be found in an unstable political environment, with a shifting and

uncertain basis for parliamentary government. But maybe just as much of an explanation can be found in a Conservative Party which has become completely passive during the last 2 or 3 years. It has few, if any, new ideas. Whenever the Conservative Party does try to come up with answers to the most urgent challenges of our time, it falls back on old-fashioned formulas.

As arguments one resorts to in a heated debate when one is at a loss for words, it is understandable perhaps that some people take refuge in market liberalism and hackneyed phrases about tax relief. But to come back with such political arguments year after year, and especially after the measures were attempted unsuccessfully by the Conservative Party itself when it ran the government, is utterly incomprehensible. It seems even more incomprehensible when tax relief as an economic tool to increase production and create growth has proven useless in all countries where it has been tried.

For the Conservative Party, those stone-age methods in economic policy must probably loom as a good response to Carl I. Hagen's success. But to compete with Carl I. Hagen on tax relief and other populist demands is like running a race with calves in the spring. After having the Progress Party as its closest competitor during several election periods, the Conservative Party should have understood that by now.

Unfortunately, it does not appear that Conservative Party leaders have the capacity to learn a lesson in this field. The recent initiative taken by the party in the Storting makes this clearer than ever. In the extremely difficult economic situation the country now finds itself in, the Conservative Party has chosen to play politics by drawing up its own proposal for a wage law. It is absolutely impossible for the bill to be passed. It can serve no purpose other than to appease the highly paid groups who yell loudest and create additional unrest and obstruction in connection with a very essential, coordinated settlement. Operating in the same vein is Storting representative Morten Steenstrup, who talks about the wage law's "police state methods." With political irresponsibility like that, the Conservative Party certainly puts itself in the same league with the Progress Party. But do the voters need another Progress Party?

12327/6091

## PORTUGAL

### Review of, Rivalries Within National Intelligence Service

35420061 Lisbon EXPRESSO in Portuguese  
19 Mar 88 pp 39R-41R

[Article by Joaquim Vieira: "The Slow Blossoming of the Portuguese 'Spies'"; first paragraph is EXPRESSO summary]

[Excerpts] Still in the reconstruction phase, the image presented by Portuguese "espionage" is characterized by a certain incoherence marked by disputes between contending influences. And there are those who doubt that

the structure—as it exists today—is prepared to respond to the greater variety of situations that could arise in the future.

During almost a decade and a half, Portugal gave itself the luxury of putting aside an instrument that no solid governmental structure—whatever its system, be it democratic or dictatorial, of the Left or of the Right—has been able to dispense with, namely an intelligence service, more commonly known among the broad public as a "department of espionage" (or counterespionage, depending on one's point of view). An organ regarded as indispensable to the formulation and application of political orientations in spheres of activity as sensitive as diplomacy, defense, and security—and that finds its prime examples in the East and the West in the KGB and the CIA, respectively—was for a long time banished from the priorities of the government in Lisbon. Moreover, this took place despite the complex situations which in these spheres were arising throughout this hiatus (and particularly in connection with everything relating to Africa).

### A Difficult Operation

Not until 10 years after 25 April was it decided that all the conditions were present for the promulgation of new legislation in this area. In September 1984 the Basic Statute of the National Intelligence System of the Portuguese Republic (SIRP) was published after it had been debated and passed by the Parliament.

The statute called for the institutionalization of three distinct departments in the "espionage" sector: the Defense Strategic Intelligence Service (SIED), dedicated to activity outside the national territory; the Security Intelligence Service (SIS), oriented toward activity inside Portugal; and the Military Intelligence Service (SIM), corresponding to DINFO [Department of Intelligence]. However, an exceptionally long period of time has intervened between the effective date of the law and the entry into operation of the structures to be created—as if some hidden force were continuing to impede the process.

There are no known explanations for the delay, which—it is acknowledged—may have to do with the need to define, at the leadership level, just who is who in the new intelligence complex and who does what. Information supplied by various sources indicates, for example, the emergence of rivalries between DINFO and its civilian counterparts (that are either in operation or are to be created), as well as the determination of the military not to lose powers that they had acquired in the interim.

One of the concrete cases in which such disputes have been manifested was the complicated trial of the terrorist group "Popular Forces of 25 April" (FP-25). For years there had been a quiet struggle—between DINFO, on the other hand, and the DCCB (Central Directorate for Combating Banditry) of the Criminal Investigation



Police [PJ] on the other—for control of intelligence relating to FP-25. With a view to beginning its activity, this department of the PJ also carried out activities in the domain of intelligence-gathering, and accordingly emerged to some extent as an entity operating in parallel with DINFO and threatening the primacy of the latter. The rivalry reached the point that elements of the DCCB went so far as to announce proudly to the world that it had carried out the wave of arrests of Otelio Saraiva de Carvalho and tens of others suspected of affiliation with FP-25 without any collaboration or interference from DINFO.

### DINFO-SIS Rivalry

The scene of the dispute probably shifted as soon as work began on inaugurating the first entity provided for in the framework of the SIRP, namely the SIS, which has been installed in a 12-story building on Alexandre Herculano Street—a building that is as secure as a “bunker.” Brought in from the Foreign Service to serve as its chief was Ladeiro Monteiro, who before 25 April 1974 headed the Central Intelligence Service of Angola (SCIA). There is persistent talk behind the scenes in Portuguese police circles of a supposed rivalry between DINFO and the new intelligence service, and some observers go so far as to acknowledge that the recent simultaneous replacement of the top leadership of the military department and the beginning of the operational activities of the SIS were in fact no coincidence. Indeed, the SIS received the order to start its operations only after the most recent meeting of the CSI (the Superior Council for Intelligence, an interministerial organ of consultation and coordination in this domain). The CSI is subordinate to the prime minister (who serves as its presiding officer) and consists of the deputy prime ministers and ministers of state (if any); the ministers of defense, internal administration, foreign affairs, and finance; the ministers of the Republic for the autonomous regions, and the presidents of the respective regional governments; the chief of the EMGFA; the directors of the SIM, SIS, and SIED; and also the secretary general of the Technical Commission (a kind of executive organ of the CSI). The meeting was held last November, and the operational activity of the SIS began toward the end of the year, simultaneously with the replacement of the head of DINFO, Brig Gen Salavessa. Shortly thereafter the head of Department E, Naval Commander Pedro Serradas Duarte, left discreetly for a position in a private security firm and was replaced by an official of the same department, Lt Col Veiga Diogo.

### The Abandonment of Serradas Duarte

Serradas Duarte was the principal figure in military intelligence during the period in which DINFO became the only active organ of Portuguese “espionage.” This Navy officer—who is regarded by persons knowledgeable in the field as a competent and efficient operative—was in effective charge of all the foreign operations of the department from the moment that military intelligence

made the leap from the traditional work of analysis to investigation and research in the field. The specific reasons for his departure are still not clear: There are those who say that he had long been on the verge of being dismissed (and that he would have been dismissed sooner but for fear of projecting an image of weakness, in view of the publication—approximately 1 year previously—of news reports implicating DINFO in the GAL case), and there are those who insist that Serradas Duarte resigned of his own accord, because he had found a financially more attractive offer in the private sector.

The fulsome praise of Serradas Duarte that the CEMGFA published this week in the DIARIO DA REPUBLICA—in connection with awarding him the silver medal for distinguished service—left no doubt as to the high esteem in which the commander and his services are held by the military hierarchy. Lemos Ferreira says of Serradas Duarte that “in the area of operational activity—an activity in which the organ he headed fulfilled its commitment with noteworthy diligence—he demonstrated determination, self-assurance, initiative, presence of mind, an affinity for responsibility, and moral and physical courage under a variety of circumstances.” Isa Lemos Ferreira—who goes on to say that DINFO’s assignments “went beyond the strictly military domain” and that Serradas Duarte is leaving his post “by personal choice with a view to his own future”—merely desirous of “rescuing” the prestige of military intelligence and of his former operational chief (a prestige weakened by the GAL case), or will he try to crimp the powers of the Second Department, which were partially challenged by the entry into operation of the SIS?

“The boundaries between the services are not clearly defined, with the result that there are gray areas, just as there are everywhere,” a Portuguese intelligence expert explains. “There may be increased difficulties at first,” he adds, “but some of the rough edges have been smoothed.” Some of these “rough edges” could be the former heads of DINFO who have now been replaced. In fact, it is now believed that the restructuration will have the effect of facilitating integration of the military services into the unified structure of SIRP, despite the resentments that will continue to be manifested. One indication that tensions could be lessening is the fact that Serradas Duarte’s former right-hand man in DINFO, Fernando Ramos, has for several months worked as an instructor in the SIS.

### Assistance From Secret Services

Over the past 2 years the structure of the SIS has been established primarily with the assistance of the secret services of Israel, the United States, Great Britain, the German Federal Republic, Spain and Brazil. The SIRP closely follows the British model, and it is therefore believed that the British contribution has probably been a major one. Tel Aviv has probably also given valuable assistance.

In addition to the courses given by Portuguese and foreign technicians at the SIS installations, many SIS employees have been required to take internships (of only a few weeks' duration) in specialized fields with those services that are regarded as "friendly." The SIS currently has a permanent staff of slightly more than 60 (with the possibility of a later increase), and its budget for this year is between 300,000 and 400,000 contos.

The services took their first action that had a public impact when they granted asylum to an employee of the Guinea-Bissau embassy, Luis Queba Sambu, who sought asylum from the Portuguese authorities simultaneously with his disclosure that he had allegedly received orders to carry out a plot for the physical elimination of members of his country's opposition. However, the intervention of services in this case—which also occurred toward the end of last year—went virtually unnoticed, with the press attributing the operation to DINFO or to the DCCB. Behind the scenes, however, criticism began to be heard from the other services of the manner in which the SIS had made its debut, especially because of the publicity that the story received in the media.

Much of the activity of Alexandre Herculano's department has been based on information supplied by allied foreign counterpart organizations. Moreover, it is said privately that these services are complaining that they have given more than they have received, that the SIS is an organization still largely characterized by self-absorption, in that it consumes the material supplied by other organizations and is incapable—for the present—of undertaking to gather its own material with a view to a complete exchange of information. On the other hand, some observers emphasize that this "excess of confidence" in the information channeled by other services could give rise to "disinformation" maneuvers with the SIS as the target.

The international exchange program of the new service also includes participation in EEC security organs and—jointly with DINFO—in the Special Committee of NATO.

#### **Oversight Has Been Ineffective**

As experience has shown in other countries, the secret services are permanently prone to engage in "deviations" from constituted law. Supervision of the activity of the SIS, in this connection, is in the hands of two bodies: a) the Intelligence Services Oversight Council (elected in the Assembly of the Republic and consisting currently of Deputies Montalvao Machado of the PSD [Social Democratic Party], Anselmo Rodrigues of the PS [Socialist Party], and Marques Junior of the PRD [Democratic Renewal Party]; and b) the Data Oversight Committee (appointed by the attorney general of the Republic and including, at the present time, Deputy Attorney General Dias Bravo and Assistant Attorneys General Lourenco Martins and Garcia Marques).

The Oversight Council, however, has not yet decided on its own by-laws, which will determine specifically whether its intervention will be continuous or whether it will be merely annual, to be exercised when the SIS presents the report which by law it is obliged to do (the second of these reports is currently receiving the finishing touches). As for the Data Oversight Committee, its function consists of determining whether there has been compliance with the legal precepts in connection with the data processing activity that the SIS will develop, but the corresponding "hardware" is still in the process of being installed.

EXPRESSO has given assurances on two points, however, to the effect that a) there are no elements of the former PIDE/DGS [International and State Defense Police/Security Directorate General] working for the SIS (not even as possible future collaborators, although in a department such as the Foreign Service some former employees of that political police organization are currently working); and b) personal information concerning Portuguese citizens will not be put into a data bank. Both kinds of actions are, moreover, prohibited by law, with the result that the statement would never have any other meaning. It remains to be seen how long it will be until the legal text is subjected to ambiguous interpretations.

#### **SIED: The Big Gap**

The big gap in the three-part Portuguese intelligence system continues to be the SIED, which—although it has nominally been created—remains only on paper, and we do not even know whether its future chief will be a military person (as some advocate) or a career diplomat of ambassadorial rank, as others believe. Nor do we know what its future place in the administrative hierarchy will be: Although the SIED is subordinate to the prime minister, supervision of the service would ultimately be delegated to a ministry other than the Ministry of Internal Administration (which by law is prohibited from adding the SIS to its administrative functions).

Given the fact that the SIS has not been provided with any budgetary allocation, the start-up of the future department will not take place this year either, although there is agreement that this will occur in 1989. Until the SIED actually goes into operation, however, it is impossible to regard the Portuguese secret services as operational.

The image presented by Portuguese "espionage" therefore continues to be characterized by a certain incoherence. Informed sources in this field doubt that the structure—as it exists today—has the capability to respond to the greater variety of situations that could arise in the future.

10992/9274

### **Disagreements Over Pay, Control Afflict Intelligence Services**

35420067a Lisbon O JORNAL in Portuguese  
31 Mar 88 pp 18-19

[Article by Lurdes Feio]

[Text] The Military Intelligence Service (SIM) and its civilian counterpart (SIS) are in disagreement. The SIM accuses the SIS of trying to control the intelligence sector and of paying salaries three or four times higher than the military service, after scarcely a year and a half of being in operation.

Military sources told O JORNAL that the desired collaboration between the two services is turning out to be difficult, because the Military Intelligence Service (SIM) has shown itself willing to cooperate with the Security Intelligence Service (SIS), even in the training of personnel, but the SIS has tried to control the information it collects, hiding it from the SIM, even when it concerns military matters.

The same sources, justify this attitude on the part of the civilian intelligence service with the fact that its members are only now taking their first steps and therefore do not have any experience. "Since they are still inexperienced, they think all the information they collect is important, and hide it from us."

### **"The Military Intelligence Services Were Not Born Yesterday"**

"As is well known, although the SIM was created in 1984 under the auspices of the Intelligence Services of the Portuguese Republic (SIRP), the military intelligence services were not born yesterday, they have many years of experience in the field, and as such it is rather uncomfortable for a civilian service that has, in fact, only now begun operating," they told us.

The alleged attempt at hegemony on the part of the SIS, made worse by the fact that its members, recruited over the last year and a half, receive salaries much higher than their SIM colleagues, appears to have created some friction within the military sector.

According to our sources SIM members, subject to military law and code, feel themselves to be at a disadvantage vis-a-vis the earnings and benefits of the civilians, who in addition to a good salary have life insurance and receive various subsidies, including, we are told, a special allowance of some 50 percent of base earnings. It appears, in fact, that all SIS personnel, including the administrative services, are eligible for these benefits.

### **Salary Gap Favors Civilians**

Although our sources deny any direct relation between this salary gap and Captain Serradas Duarte's recent desertion from the DINFO, the fact is that he requested a transfer to the reserves, apparently "tired of the unjust attacks that have been aimed at him for years as a result of his activities in DINFO," and accepted an invitation to work for a private security firm, in exchange for a much higher salary than he received in the Armed Forces.

The mistrust between the military and civilians affects other areas which are no less important. In the SIS, latent sentiment appears to exist that it is necessary to limit the SIM to the area of strictly military intelligence, in order to prevent any attempt at hegemonization on the part of the latter.

### **Exchange of Accusations Impedes Cooperation**

This argument is justified primarily by the extensive maneuvering room the military acquired after the 25th of April and as a result of the extinction of the PIDE/DGS. For a dozen years Portugal had only the military intelligence service, that is, the DINFO, which would have contributed to the over-expansion of the military's activities and capabilities.

On the other hand, the SIM argues that in the field of intelligence it is almost impossible to establish rigid frontiers: "Many times, when we come across some information, we do not know its ultimate implications. And it is possible for this information to end up being provided to another entity, once it is concluded that it has nothing to do with the sector that initiated the investigation," we were told.

The SIM, however, defends itself as a military entity and insists on emphasizing the ethical values that govern it, and which makes it invulnerable to possible attempts at political/party pressure of manipulation.

### **The Military Does Not Gain by Favors to Politicians**

"Contrary to practice in civilian society, a member of the military intelligence services knows that he will not be promoted on the basis of possible assistance or political favors provided to third parties in the performance of his mission. For the same reason, neither will he be punished or demoted for refusing to provide favors to someone. He is therefore in a position that from the outset ensures the neutrality necessary to a mission as delicate and as dangerous as collecting and analyzing data," an SIM source told us.

The military also appears sensitive to the lacuna resulting from non-implementation of the Strategic Defence Intelligence Service (SIED), the third branch of the Intelligence Service of the Portuguese Republic created by Law 30/84, and of which the SIM and the SIS also form a part.

**"The Conditions for Implementing the SIED Do Not Exist"**

Our sources allege that "the conditions for implementing the SIED do not currently exist, in terms of either human or material resources," but they maintain that "that service is fundamental to the definition of political strategies, both domestic and foreign."

"The SIED will be charged with the global analysis of all intelligence collected by the SIM and the SIS, in order to put into perspective what could happen in all areas of domestic and international life. For example, the SIED would analyze economic activities, the markets on which we depend and possible alternatives to them, areas of armed conflict and their effect on national foreign policy, international alliances and the interplay of respective national interests, and possible alterations in public opinion in general with respect to facts and/or occurrences, including what should be Portuguese policy toward the EEC, in order to prevent our country from being dragged down by outside interests," one of our sources explained in detail.

The coordination of intelligence appears not to be performed in our country at the moment, that task having been one of the primary reasons for creating the SIED which, still, for reasons of practical impossibility, will not occur within the next few years.

13026/12232

**Unequivocal Criticism Seen Unfit for Opposition's Role**

35420064b Lisbon EXPRESSO in Portuguese  
26 Mar 88 p 3

[Editorial by Jose Antonio Saraiva]

[Text] Several weeks ago I wrote that the government had yet to find the right rhythm for governing: sometimes it goes too slowly while at other times it goes too fast. It has been unable to find the point of equilibrium that would give the nation a sense of security and stability commensurate with the majority it holds.

Meanwhile, it is asked: Have the parties outside the government found the right rhythm of opposition?

The point is this: For the first time since the 25th of April there is a conviction that a government may reach the end of its term.

Up until the last elections the governments that had been formed were permanently close to falling either for a lack of a majority in parliament or as a result of difficulties among the parties that formed it.

It thus seemed natural for the opposition to remain in constant agitation: they could end up having the final say.

But now? What should be the opposition's attitude when faced with a government that will probably last four years? Should it act as though it could bring it down tomorrow?

Some would say yes. They support the idea that a constant and tenacious struggle will contribute to progressively wear down the government and render it weak and incapable of response as it reaches the end of its term.

This is a debatable point of view. The problem is that if it is true that the government is becoming worn down it is no less true that the opposition will also suffer wear and tear.

We ask: After four years of hearing the opposition say every day that the government is bad, will the nation continue to give great importance to the criticism?

It should be feared not.

It follows that, in order for the opposition to be effective, it should on the one hand be restrained and on the other it should know when to speak and when it will be to its advantage to remain silent.

But this is not all.

The opposition cannot stop being credible.

This means that it will not be able to take the position that it will say bad things about everything the government does under penalty of giving the impression that it criticizes because it has to do so.

Any criticism to appear authentic must give the idea that it is not being done routinely but because circumstances call for it.

Let us take an example.

Let us suppose, even though the hypothesis is unthinkable, that Vitor Constancio praised a government measure while on television.

We ask: What would be the audience's attitude when the socialist leader made other appearances on television? Would they pay more or less attention to him?

Will a political leader have more credibility (and will he be listened to with greater expectation) when it is known beforehand that he is going to attack his opponent or will a leader who openly and frankly attacks but also praises the actions of his opponent?

I believe an opposition style has formed in Portugal that runs the risk of becoming trite.

The idea has been formed that to oppose is to attack the government under all circumstances and in an indiscriminate manner.

Now this is no longer true. To effectively criticize over a long period of time it is necessary for the criticism not to be indiscriminate but rather selective.

In order not to lose credibility it is also necessary for us to feel that the person who attacks will also be capable of offering support at another time.

09935

### **Socialist Party Options Reviewed**

35420072a Lisbon EXPRESSO in Portuguese  
9 Apr 88 p 3

[Article by Jose Antonio Saraiva]

[Text] The winning of an absolute majority by the PSD on 19 July faced the socialists with a dilemma. Should they pursue the isolationist line Mario Soares always defended, or should they, on the contrary, participate in actions opposing the government together with the communists and the renewal advocates?

Should they wage the battle against Cavaco Silva alone, refusing to join with other leftist sectors, or, on the contrary, should they agree to a certain "unity of effort" in combating the majority party?

I think that Vitor Constancio himself, who for a long time defended the bipartisan strategy (in other words, affirmation of the PS as the great party of the Portuguese left, "excluding" the PRD and the PCP), has doubts about this today.

The problem is that the PS was frightened by the results of the last elections.

The 22 percent of the votes it won, not even half the total obtained by the winning party, caused the socialists to fear that continuing with an isolationist strategy could lead to keeping Cavaco Silva in power forever.

Portuguese socialists may have felt in their hearts that, taking the new balance of forces into account, priority should be given to opposing the government, leaving the "bipartisan" issue for a later date.

A certain "joining of efforts" evident on the part of the trade unionists in the PS and those in the PCP (the general strike and the coalition in the bank workers' union are good examples) and the proposal by outstanding leaders and members in both parties that 25 April be celebrated jointly should be interpreted along these lines.

It would be a mistake to say that there already exists a "joint leftist front," but it is a fact that the majority won by the PSD in July changed the relations between the socialists and the communists, and that a certain "profront" atmosphere can be seen to exist today.

This may even be because an event of another sort which occurred in the meantime may have led the PS to view the PCP from a new point of view. I am speaking of the crisis which erupted within the Portuguese Communist Party.

With this in view, some socialists may have asked themselves what the best strategy to pursue would be.

Should the PS keep the barrier separating it from the communists intact, or would it be better, on the other hand, to promote the establishment of certain ambiguous and fluid zones in which dialogue between members of the two parties (and eventually, those from other sectors) could develop?

What is of greater interest to the PS today—to remain closed in upon itself, maintaining its "state of purity," or to open up to other leftist sectors traditionally unaffiliated with it (such as the "April military," the MDP or the communists suffering a "crisis of conscience") with a view to the future establishment of a broad opposition front?

I believe that this is a serious issue and one which should not be analyzed lightly.

The theory of bipartisanship is a solid, logical and consistent idea.

But at a time when there is a government which has an absolute majority, and when the PS is finding it difficult to gain ground in the opinion polls, the socialists must think of what will benefit them most. They must decide whether the best path is to rely on isolation, in the belief that sooner or later the voters who abandoned the PCP and the PRD will have no alternative but to vote for the PS.

Or whether, on the contrary, it would be preferable to abandon the idea of a solitary fight, to put away the party colors and to work toward the development of a broader leftist sector, in which all (or almost all) could find a place.

5157

### PCP Future Seen Enduring Despite Difficulties

35420064a Lisbon SEMANARIO in Portuguese  
26 Mar 88 p 6

[Editorial by Jose Miguel Judice]

[Text] The political stage is changing on the eve of the general strike. The information and "psyching up" sessions are reemerging, the streets are once again being crisscrossed by banners calling for mobilization of the people's will, the headlines on left-wing newspapers are becoming more somber, the nation seems to be going through periods reminiscent of years past, the PCP is returning to the limelight and the future it is proclaiming again emerges as a possibility.

In fact, the PCP is returning to the limelight. Every time the social climate intensifies and conflicts increase in tone, the organization, the militancy, the dedication, its marginal position in relation to the political system are all things that favor the activities of the communists. It rejuvenates the energy of the cells in the work place, it rouses the activists and causes those social classes that are predisposed to listen to the words of the PCP to pay renewed attention.

Meanwhile, the PCP is undoubtedly going through a critical period in its long life. The primary reason is obviously the growing structural breakdown between the ideology that supports a Marxist party and the reality of modern societies, even those in a peripheral country such as Portugal. Portuguese communists may only aspire to maintain relevant importance in political life if they are capable of converting to a non Marxist party: a party of the modern Left, open to new struggles armed with the critical factors of post industrial societies and not simply to the traditional struggles of industrial societies.

A second reason can be added to the preceding one even though, in the final analysis, it emerges from it. It is the profound change that is taking place in the Soviet Union as a result of Gorbachev's rise to power. The reforms underway in that country, even if their probability of success is debatable, are a factor of concern in each of the national communist parties and especially among those which have more stable and solid links with the fraternal party ruling in Moscow.

The changes at the center of the worldwide communist movement are being communicated to the periphery with some inevitable recurrence of tension between hardliners and liberals, the orthodox and the reformers, laborites and modernists. Most importantly, the hunger for power arouses in those who were left by the wayside at different times a sense that they now have an opportunity to become the privileged allies of the new Kremlin masters. This must surely cause internal disquiet in the PCP.

A third reason, this one more circumstantial, further complicates matters. It is the fact that the generation that has been leading the PCP is getting older and it is natural to expect that Alvaro Cunhal will have to be replaced in the end. The PCP is a church and it is also an explainable reality if we draw on elements from the study of monarchies. As the time to replace the absolute sovereign approaches, there is unavoidable internal agitation accompanied by the creation of more or less discrete groups that are more or less organized to support a potential successor or to fight against another potential successor. In a group that since the days of clandestinity accustomed itself to being closed unto itself, the accumulated and retained tensions, the old feuds and the new hatreds, an entire procession of unresolved or inadequately resolved problems will naturally surge into the open.

If this were not enough, the Portuguese communists must face a complex challenge under these difficult conditions. For the first time since 1974, there is a government in office that enjoys the support of a homogeneous majority in the Assembly of the Republic. In all probability this government will lead the nation for four years. Furthermore, it may, in all likelihood, return to lead again after those four even if it is in a coalition. This means that the communist strategy has to be based on the assumption in which there will probably be an eight-year government that is not dependent upon the communist's direct strength. In addition, this government is engaged in a reform effort that if it is successful will demolish much of the cement that has been the basis for PCP activity and that of its allies.

It follows from this that the communists are going to be forced to keep up a struggle that leans toward the inglorious because the prime minister's personality makes him toughen his strategy in the event of increased PCP pressure because the government's base of support will strengthen when confronted with emergence of the PCP at the forefront.

The PCP has problems but this is no reason to conclude, as some socialists have been quick to do, that it is on the pangs of agony. The PCP is a party of professionals and a party that has a hard core of militants that would please any secretary general among the competition. In addition, it is a Leninist party as perhaps no other in the West. Finally, it is a party with a concentrated base that grants it greater latitude to survive than if its support were spread nationwide.

A party of professionals and loyal militants can change many things with greater ease than is thought. If the old guard becomes "liberal" it will have the party behind it and if Cunhal does not want to adapt, the discipline and unity will also be maintained. Among communists there are few states of being and the bourgeois virtues of

doubt, anguish and examination do not exist. As a result, there are more than enough conditions for armies to resist inclemencies and retreat in an orderly manner while under fire.

A Leninist party is also one with a very strong capacity for adaptation. Leninism is Marxism combined with pragmatism, much more so than Marxism with voluntarism and vanguardism. What I mean by this is that Cunhal's Leninist tradition has allowed it to avoid the split between "rightwingers" and "leftwingers". It has allowed it to independently survive the changes in Moscow headquarters that have been rocking the large multinational Marxist family. This will certainly continue to be the case.

A party whose support is concentrated in the Alentejo and in the suburban areas of Lisbon is able to maintain a hold on power which serves as an area to retreat to during difficult times. More than this, it allows it to maintain a capacity to pressure and coerce the PS that should not be underestimated. In addition, it favors subtle relationships with the central government, which justify the belief that it will be an arduous task to try to deal the PCP out of the Portuguese political game.

It is obvious that, in time, communism is condemned. It is a doctrine for mobilizing social classes that are losing power. It is based on organizational structures that technological development has destroyed. At all levels, it has failed to adapt to the growing complexity of modern societies. Marxism-Leninism is starting to ill serve the party that defends it. It seems very difficult that a party which (other than in Italy) has no real expression in any of the more developed countries of the West, will change.

But in time we will also all be dead. Meanwhile, we try to live. It may perhaps be possible to deny the idea that we will always have poor people in the world. In the coming years and throughout the twenty first century we will undoubtedly have the PCP. It will not be a sign of modernity but that is how things are. Also, perhaps Portugal does not yet deserve to aspire to complete modernity. Let us go calmly trying to end poverty and the rest will come as a surplus.

09935

#### **PCP Situation Examined in Light of Seabra Incident**

*35420072b Lisbon SEMANARIO in Portuguese  
9 Apr 88 p 6*

[Article by Jose Miguel Judice: "Stalinism Revived"]

[Excerpts] Life will not be easy for the Portuguese communists, I wrote here on this page 2 weeks ago. Today I can say that life will be particularly difficult for Zita Seabra, although for reasons completely different from those which were in my mind when I first used the phrase. It may well be impossible to explain with all the

necessary realism what the difficulties Zita Seabra will probably experience will be like to those who are not communists and have never really lived within the universe of the "party."

It is not a question of being unjustly and ferociously attacked by comrades in the party or in militant ideological belief. It involves suffering such attacks from the individuals with whom one has lived immersed in a world which sufficed in itself, a world made up of collective certainties and hope, a world which is perhaps castrating, but is without a doubt, and perhaps paradoxically, calming as well. For Zita Seabra, this kind of attack without a doubt causes the suffering which follows betrayal by friends, rather than that following violence by allies. In the final analysis, this is the most important issue.

There is no reason, as is obvious, to weave a myth about the former deputy for Aveiro, or to forget that others have in the past been the victims of similar actions in instances when today's victim probably never raised his voice to denounce the deeds. As to this and to this extent, he will also be responsible for what happens to him. Nor, on the other hand, is it a question of concluding that communism is like that, and that therefore, whatever is typical in this series of events is more natural, normal or even inevitable than it is exceptional, such that I should simply make a statement here rather than being surprised. I reject this kind of reasoning because, specifically, I refuse to accept that being a communist means being one of a race of men who are different, and because I want to continue to be incensed at everything which incenses me. And I do not accept that it is normal, natural or inevitable for the communists to have to act in this fashion.

And furthermore, it is not a matter of forgetting what is political and strategic about the way in which the old men who head the PCP act. Zita Seabra is the natural leader of a "liberalizing" or "pro-Gorbachev" faction in the PCP, and he is one of the few communists who can potentially combine prestige, charisma, fame, a clandestine past and a linkage with the members among the renewal faction members. The political destruction of Zita Seabra is a politically useful act. And everyone destroys as his heart dictates.

The fact is, as I wrote here 15 days ago, the PCP operates internally according to rules different from those we outside the party follow. Loyalty to Cunhal, unquestioning faith, the persecution complex, the intrigues and the binding ties—because of all these things, the foreign reaction to the attacks on Zita Seabra only serve to strengthen the internal power of the more conservative bloc among the Portuguese communists. Destroying Zita Seabra means canceling out and dooming to abandonment a dangerous rival, and still further radicalizing the legion of the faithful, incapable of accepting those who

play the game of the enemy and who frequent "environments hostile" to the "party," even if no one takes the trouble to establish whether the charges have been proven.

The years pass and illusions are lost, and the world is becoming ever blacker than one would like. The issue of the struggle for power within the PCP is not the outstanding characteristic of this party, and facades, false accusations and stonings also exist in the other parties. But what is lacking in the others is the memory of the dreams, the sufferings jointly shared, the absolute idealism, such that everything is more political, more ritual and less sincere. The case of Zita Seabra is a human one, rather than political. Solidarity is possible on the other side of the barricades, without surrender and without illusions as to ideas. If this were not so, then it would be a fact that dignity had deserted the political world forever.

5157

**Consequences of General Strike Analyzed**  
*35420067b Lisbon SEMANARIO in Portuguese*  
*31 Mar 88 p 6*

[Article by Jose Miguel Judice]

[Excerpts] Calculating the effects of the strike, firm by firm, sector by sector, is an exercise which the government on the one hand, and the central unions on the other, will continue to do in the near term.

It seems to me that the opinion of the person on the street is that the strike was not the failure that the government had hoped for, nor was it the success to which the union groups aspired. And since this person is the average voter, that is the conclusion to be drawn from the general strike. Everyone acted ecstatic and victorious, and everyone was considered by the average voter to be defeated, or at least not victorious. There is nothing strange in either case: All political forces claim success after the elections, and therein lies the more rigorous accounting, the vote. To be skeptical is "John Doe's" traditional activity.

In any case, the general strike will have unequivocal consequences which are only worth considering some days afterwards. These consequences, more or less certain, more or less permanent, will be the results of the strike. The first relevant consequence appears to be an increase in political radicalization in Portuguese society. Cavaco Silva will not so much as alter a comma in the plan, and with good reason: if he were to give in now, no matter what happened he would never be given the breathing room to legislate. And the political and union opposition, in turn, will also increase their pressure, attempting to take advantage of the political setback the government has naturally suffered in recent days.

The worsening tension is to the advantage of the government, to the extent that this increases support for the government rather than for the opposition. And it serves the PCP to the detriment of the PS, which is in this phase "compelled" to soften its moderate line that could permit it to acquire some support among sectors disappointed with Cavaquism.

Another more permanent consequence is a profound crisis within the UGT. The manner in which the TSD allowed itself to become involved in the general strike, with no consideration of the correlation of forces and its relationship immaturity that rankles. Despite repeated warnings (I remember an article I wrote at the time entitled "Poisoned Gift") they calculated that it would be possible to reconcile, without angry words or problems, support for the government of Cavaco Silva with hostility to the policies of the government of Cavaco Silva, leadership of the UGT with the PSD's presence in the Assembly, public affirmation of criticism of the "labor package" with private support for the sense of the reformist legislation of the government.

This important consequence bears regrettable aspects. Dividing the UGT has been the PCP's strategic objective since formation of this reformist center. The general strike did more to achieve this than all the problems the UGT has faced up to the present. But it also contributes toward a decrease in Portuguese political schizophrenia, to the extent that it necessitates a certain clarification of misunderstandings.

A third and equally important consequence of the general strike is that it will mark the beginning of a certain distancing between Soares and Cavaco Silva, which has already been augured by certain preliminary signs, unmistakable but subtle. Increased radicalization is, for a number of reasons that would be tedious to detail at this time, the great personal, political and functional concern of Mario Soares. And to set himself up as the barrier against radicalism is the great personal and political strategy of the president of the republic, in addition to the fact that it meshes well with the philosophy with which he has stamped his administration, very similar to that which in the previous century supported "moderating power" theories.

This distancing will not, for the moment, have important and clear political consequences. But it would be from this point on that one would mark the roots of a kind of confrontation that very probably will characterize the institutional relationship beginning next October. A sign that Cavaco Silva is alert. A reality to which Soares will not fail to assign the necessary importance.

A fourth and important consequence is expressed by the idea that the PSD did not have a time to hesitate between a movement toward a labor platform with increased internal influence on the part of union members on the one hand, or a retreat to a traditional line more in the style of the "PPD" on the other. The "gaffe"



of supporting and then retreating from the general strike, Cavaco Silva's violent reaction, the TSD's own internal division, all occurring on the eve of the PSD Congress, do not auger well for the future of a strategy which will move the party in that direction.

I am not here to argue the advantages or disadvantages of any of these alternatives, but only to state that chance and error contributed to the dream of a block of union members and union activists positioned force within the UGT, capable of engaging in dialog and threatening the powers that be, with the capacity to negotiate with Cavaco Silva as no other domestic group could, this dream went up in smoke on the eve of the general strike.

Other consequences could be postponed, but maybe it is not worthwhile to go into too much detail. I believe, however, that one of the primary consequences could be a strengthening of the prime minister's political experience. In fact, the general strike's relative success was in great part due to three tactical errors on the part of the government. The first was the delay approving labor legislation, failing to take advantage of its "state of grace," and coincidentally timing the debate with the salary revisions and the UGT Congress. The second error was the proliferation of versions and changes that, far from demonstrating a capacity for dialog, was interpreted as a sign of weakness, to the extent that TSD leaders were convinced that they could impose a new version upon Cavaco. The third error was the lack of a communications and propaganda policy before and during the general strike, which revealed a failure in the governmental team.

Cavaco Silva does not like to admit mistakes or failures, but he knows enough to learn from them. In particular, he knows that he let a valuable base of support dwindle away, wasting himself less on action than on delay. He knows that it is not changes in plans that demonstrate openness, but rather firmness based upon previously having considered all aspects of the problem. Finally, he knows that action taken on the television news that is typical of government leaders is not everything, and cannot be left to improvisations during the free time of ministers burdened with crushing responsibilities.

The problems showed up early, that is an advantage. Many people will say that Cavaco Silva should soon reorganize, but it is not for that reason that the prime minister should avoid doing so. Many people will say that Cavaco Silva should organize fresh operational and political leadership, and it is not for that reason that the presidential and political leadership, and it is not for that reason that the president of the PSD should avoid doing so. The reason is that the next 6 months will reveal what the next 3 years will be like.

13026/12232

## SWEDEN

### Prime Minister Carlsson on Policy Views, Palme Murder

36170054 Helsinki SUOMEN KUVALEHTI in Finnish  
25 Mar 88 pp 2-7

[Article by Pekka Hyvarinen]

[Text] Olof Palme's murder marked the beginning of a new era in Sweden. It measures time from the moment of the assassination, from the collapse of the prime minister on a Stockholm street. It was 3 years later when Prime Minister Ingvar Carlsson, Palme's successor, assessed Sweden's long period of anguish:

"All in all, nothing has changed decisively. We are still in open society."

On the first night of this new era, Carlsson had just returned from an environmental conference in Goteborg when the telephone began to ring. He was told that Palme had been shot.

"It is very difficult for me to describe my feelings at that time. Naturally, I hoped that it was not true. I did, however, have a definite operational plan in the event of such a situation. I immediately left for the parliament building in accordance with the plan."

Carlsson's story is one of millions of similar vignettes in Sweden's new era. In cautious discussions people often recall from whom, how, and where they heard about Palme's murder.

The assassination on that winter night has become a part of the common, national memory of the Swedish people.

### "The Murderer Will Be Apprehended"

Ingvar Carlsson had become acquainted with Olof Palme 30 years ago almost to the day of the murder. At that time, Carlsson was still a member of the youth league. Palme, for his part, was already a known debater and a rising politician.

"After this meeting, not one political decision was made in Sweden that we did not discuss. In the final count we were always of the same opinion."

They were of one mind, but their natures were very different. The cosmopolitan Palme was an intense, exceptional debater, well versed in languages, while Carlsson, on the other hand, is known as a serious paragon of drabness.

The difference becomes apparent in an interview. Palme was usually enthusiastic about the question, seasoned his speeches with theatrical gestures and strong language, and expanded themes freely and creatively. Carlsson, for

his part, drops a phrase at a time, precisely formulates what he has to say, and expresses himself with few words in the manner of a typical Finnish politician. Here is an example:

"My opinion is that the murderer will yet be apprehended. Since we did not achieve this immediately in the first hours, patience is needed. The time factor may thus become protracted..."

#### **Carlsson Replaces Palme as Prime Minister**

Ingvar Carlsson, 53, was Palme's natural successor. This was crystallized already at the first meeting of the Executive Committee of the Social Democratic Party.

"I was asked whether I wanted to become the party's chairman. I requested 15 minutes to consider, consulted my family, and announced that I would accept the job.

"I felt that I would receive strong support from the man on the street. This was especially important since we, indeed, had to make decisions under very exceptional conditions. We had to make certain that Swedish democracy was preserved and kept functional..."

"The people's reaction has very un-Swedish. People cried openly on the streets, they lined up to sign condolence books... It was un-Swedish for the reason that we are generally considered to be cold and indifferent. But, indeed, the incident was shocking, unique..."

#### **Erlander's Apprentice**

Carlsson confesses to being long-time Swedish Prime Minister Tage Erlander's apprentice.

"I was his secretary immediately after graduating from the university in 1958. Our relationship lasted until Erlander's death, even in his last years we met twice a month."

In Finland, Erlander is remembered as a jovial father of his country and Urho Kekkonen's colleague. Carlsson wants to emphasize:

"Tage Erlander was not a figure without controversy. It is forgotten abroad that he did not become a national father figure, accepted by everyone, until the final years after the victorious elections in 1968. If he had withdrawn in the emotional vortex of the previous catastrophic elections, he would be remembered as a completely different kind of politician.

"The same applies to Kekkonen, even he was not initially accepted in all circles. In addition, I am convinced that Olof Palme would also have become a national father figure if he had lived."

Carlsson himself is only the fifth Social Democratic leader in Sweden. The working hours have been long since the party will be celebrating its 100th anniversary next year.

"I do not believe that in the future party leaders will be able to put in as many hours as their predecessors. The pace has increased formidably, the media are more aggressive than before, more controlling."

There is no time left for free deliberation. Relaxation and recreation are difficult.

"One can only attempt to arrange one's work and time in such a way that you control matters and they do not control you."

#### **Not a Word About the Police**

Carlsson is very careful not to criticize the actions of the Swedish police during the investigation of the murder. "I will not comment, this is a police matter," he says repeatedly during the conversation.

He categorically rejects allegations of discrimination against immigrants, the ineffectiveness of the police, and the collapse of credibility in the police. He does not even accept assessments that other crimes have begun to be rampant while investigators in Sweden attempt to resolve the mystery of the prime minister's assassination:

"The position of the police themselves is completely opposite. According to them, many other crimes have also been disclosed in the investigation of the murder. All in all, I do not believe that there exists a democracy in which vast resources would not be spent on investigating the murder of a prime minister."

In Carlsson's opinion, Sweden has, in general, withstood this national ordeal well. "Nothing has changed decisively," is his constant answer. And he adds:

"We are still an open society. The social and economic situation as well as the spiritual atmosphere remain as before."

#### **Difficulties Beneath the Surface**

Carlsson inherited numerous foreign policy problems from Palme. Relations with the United States were strained. Those with the Soviet Union were outright inflammatory.

Palme's statements made during the war in Vietnam are still remembered in Washington. Carlsson has continued the same foreign policy moralism in his opinions on the Nicaraguan situation.

Relations with the Soviet Union, on the other hand, are improving:

"When I went to Moscow, I wanted to resolve as many problems as possible. I brought up questions of human rights, of which several are no longer a matter of concern. Also border disputes in the Baltic Sea have become history.

"In addition, I explained to Prime Minister Nikolay Ryzhkov how seriously we will react to submarine incidents. In two incidents, Karlskrona and Harsfjarden, it was without any doubt a question of Soviet submarines. The nationality has not been confirmed in other observations."

"Ryzhkov repeated that his country will respect Sweden's neutral policy. Such affirmations from the superpowers are very important to us. They raise the price of violations of territorial waters if we succeed in confirming the nationality of a submarine.

"We have now decided to make use of all necessary military means in order to force foreign submarines to the surface. The weapons are, however, so effective that they can also destroy a submarine. We have wanted to make this possibility unconditionally clear to an intruder."

#### **There Is Still a Need for Conscience**

Carlsson admits to being a Palme-like moralist in foreign policy.

"I am in principle an adherent of my predecessor's policy line. Indeed, we do not call ourselves any kind of conscience for the world, but we do want to work actively on behalf of justice. We are visibly involved in the UN, we are providing discernible development aid, we are participating in attempts to resolve problems in Central America, and we oppose race discrimination. Sweden's attitude in all these issues remains the same as before."

In Carlsson's opinion, small, neutral countries continue to have something to say about world affairs:

"A possible nuclear war would also destroy those countries which themselves do not have nuclear weapons. For this reason, Reagan and Gorbachev must not be allowed to decide world affairs by themselves. Small countries must pressure the superpowers to do something. For example, initiatives adopted in Palme's and Kalevi Sorsa's Socialist International have had this kind of significance in my opinion.

#### **Into an Integrated Europe**

Carlsson does not intend to promote the concept of making Sweden a full member of the European Community, but he is making preparations to develop close relations with an integrated Europe.

"Full membership is not possible for foreign and security policy reasons," emphasizes Carlsson.

"We do, however, believe that we have a role to play in our part of the world in the future. Sweden and Finland have much to give, for example, in [the] Eureka [project], by which Europe's competitive ability will be enhanced with respect to Japan and the United States. We are praised for the high quality of our products and particularly for our technical know-how."

Sweden's prime minister will travel to the capital cities of the EC countries next month to discuss the future. In addition, he will assemble a rather large group of experts and representatives of various spheres of interest in Stockholm to prepare his country's European-initiatives.

#### **Nuclear Power and the Environment**

Sweden will close all its nuclear power plants by the year 2010. Carlsson will support and carry out the will the majority of the Swedish people.

"Nuclear power will be abandoned in accordance with a national referendum. On the other hand, I am not numbered among those who would accelerate the schedule. We cannot in any case shut down all the reactors within the next decade."

In Carlsson's opinion, environmental pollution will be a major theme in political discussions with neighboring countries in the future also.

"We have observed that this issue is no longer merely a question of environmental protection question. Environmental protection must be integrated with the organization of society in Sweden. This kind of a requirement is not in my opinion in any kind of conflict with economic growth, on the contrary, new technology and reasonable growth will provide the best opportunities for a good environmental policy."

#### **Sweden Is Also Not Ready**

Carlsson must time and again confirm to foreign correspondents that Sweden has not gone too far in guaranteeing well-being and security. Sweden is also not ready in the prime minister's opinion.

"Many economists were at one time of the opinion that Swedes were taken care of excessively. Now a new thinking is prevails. Even international economic journals and economic experts have admitted that social security increases rather than decreases creativeness," assures Carlsson.

"Naturally, we are trying not to increase taxation, but we cannot stop Sweden's development, on the other hand, either. Citizens still want to improve the security of the aged and families with children. All this must be paid for

in some manner. We believe that our system is better than in the United States, for example, where health care consumes a larger portion of the national product than here."

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### **VPK Press Organ on Problems Facing Paper, Party in Election**

#### **Party Leadership Debates Newspaper**

36500095 Stockholm NY DAG in Swedish  
4-10 Feb 88 p 21

[Article by Ingemar Svensson: "Strong Feelings About NY DAG"; first paragraph is NY DAG introduction]

[Text] NY DAG dominated the debates in the Party Executive Committee. On the question of new techniques and other proposals from the Newspaper Committee the Party Executive Committee decided to wait for the Newspaper Conference on 13-14 February. A provisional arrangement concerning the editorial pages will be abolished before that conference.

"As the only significant press voice of the left, NY DAG is a factor not just for the party, but for the entire left wing," said Lars Werner. "If NY DAG disappears it will weaken not only the party, but the entire left. We will lose functions which we now perhaps take for granted, and do not fully appreciate before we no longer have them."

"Intervention on the editorial pages can be interpreted as an attempt to change the newspaper into the mouthpiece of VU [Communist Party Youth League]," said Werner. "But that was not the intent. It was only intended as a brief provisional arrangement until a new chief editor was appointed."

"I agreed with the decision," said Gudrun Schyman of VU. "As the provisional arrangement now appears to be lasting longer than intended, it should be suspended immediately, and responsibility for the editorial pages returned to the editors."

Kenneth Kvist gave a full account of the many discussions on the question of a chief editor, and criticized himself for the much-criticized TV feature about journalists' professional rights.

#### **Range**

Contributions to the debate about the newspaper showed that the range of perceptions did not decrease following the party congress. Information about the economic situation and criticism of its contents was summarized in judgments such as "Is NY DAG worth the price?" and "Better to close NY DAG and increase publication of VPK INFORMATION."

C.H. Hermansson expressed a directly opposite opinion. He called attention to the fact that he began to contribute in 1941 and that he had been the chief editor of the newspaper:

"In my opinion the newspaper is mostly good, and I know that many party comrades share that opinion."

C.H. Hermansson warned against a decision which in practice would amount to closing:

"We would be depriving ourselves of an important instrument in the struggle of the party and the working class."

Concerning the economy he added:

"We have been in difficult situations many times over the years, but we could always overcome them."

#### **Decision**

Recommendations from the Newspaper Committee will be placed before the Newspaper Conference without a position being taken by the Party Executive Committee. The Executive Committee will make its decision later at its March meeting.

The Party Executive Committee decided in support of Gudrun Schyman's proposal that the existing provisional arrangement for the responsible editor and politician for NY DAG will be raised before the newspaper conference on 13-14 February 1988, and a decision will happen under normal circumstances.

Paul Lestander suggested that in this text the time limit should be cancelled, but the suggestion was voted down.

Kaj Andersson proposed that VU create economic conditions for the introduction of new techniques at NY DAG. This proposal was also voted down.

#### **Tighter Ideological Control**

36500095 Stockholm NY DAG in Swedish  
18-24 Feb 88 p 5

[Article: "Political Editors Selected for NY DAG"; first paragraph is NY DAG introduction]

[Text] A political editorial staff consisting of four people has been appointed by the VPK [Communist Left Party] leadership to take over the writing of commentaries in the newspaper. Beginning next week, the takeover of NY DAG's editorial pages by the Executive Committee is thereby ended.

The new responsible editor will be C.H. Hermansson. The other three in the group are Ingemar Andersson, who was recently assigned as chief editor, Sara Lidman, author and political debater, and Lars Ohly, professionally active SJ [Swedish State Railways] employee and active in the VPK.

The decision by the Executive Committee to appoint former chief editor, Ingemar Andersson, and later take over the NY DAG editorial pages has met with much criticism, both within and outside the VPK. One of those who offered criticism was C.H. Hermansson, who before his time as party chairman and member of Parliament for VPK was the chief editor of NY DAG.

"This political editorial staff is a temporary solution," he said. "Obviously the work of finding a new chief editor must continue. In this way we will be responsible for NY DAG's commentary pages in cooperation with the rest of the staff."

"Why as many as four people in the group?"

"The number is naturally subject to discussion. We hope that this solution will bring the newspaper experience from different places, and that this will be good," said C.H. Hermansson.

"Sara Lidman hardly needs a more complete introduction. She is well known both for her literary works and her political commitment on a number of questions. Ingemar Andersson has genuine foreign policy knowledge, and Lars Ohly is a trade union man from the public sector, which is so important to defend today."

C.H. Hermansson does not believe that there is anything strange about a former party chairman joining a political editorial group.

"I began at NY DAG as a journalist in 1941," he said. "During long periods I was both chief of the editorial staff, responsible editor and chief editor. So properly I am just returning to the old hunting grounds. And I hope that my professional ability has not faded during the years when I was party chairman."

The new arrangement at NY DAG will take effect with next week's edition of the newspaper.

The journalists at NY DAG have agreed to the temporary solution which is now being presented by the VPK leadership.

"We are pleased that Ingemar Andersson is now being reestablished and is joining the new editorial leadership," said Birgitta Gustafson of the Journalist Club.

"We are also pleased that C.H. Hermansson has chosen to go in and save the newspaper's reputation and that the newspaper is being strengthened with other good writers."

"But we hope that NY DAG will soon get a new chief editor so that a permanent solution and a durable investment can be made in the paper," said Birgitta Gustafson. Now we also need an investment in the editorial staff, a reorganization of the newspaper's economy and new techniques. We hope that the VPK leadership will now cooperate in that direction.

### Paper Comments on Changes

36500095 Stockholm NY DAG in Swedish  
25 Feb-3 Mar 88 p 2

[Editorial: "A Communist Newspaper for the Left"]

[Text] NY DAG was founded at about the beginning of 1930. The newspaper will therefore soon be 60 years old. It is no exaggeration to say that this has been a very active period. Great changes have taken place in the world, and also in Swedish society. For its part, NY DAG has seen both advances and retreats. During certain periods the newspaper had to fight great difficulties to be able to reach its readers, for example, when the nonsocialist-social democratic government during the war years tried to strangle NY DAG and other anti-nazi newspapers with the so-called transport prohibition.

Only through self-sacrificial work by the editorial and printing staffs, subscription canvassers, news dealers and loyal readers was NY DAG able to fulfill its mission: To be a spokesman for socialist ideas in Sweden.

Today NY DAG is fighting problems such as a poor economy and reduced editions in a mass media situation which is not favorable for small political newspapers. TV and radio have captured large viewer and listener groups, the large national newspapers have been able to grow because, among other things, of their rich advertising revenues. Even the provincial newspapers have been modernized at great cost, and the evening press has received increased activity through the influence of the popular press and the weekly magazines.

Does a small communist newspaper have any right to exist in this situation? This question is sometimes asked even by members of VPK who believe that the party's scarce resources could be used in a better way. Voices are also raised by those who claim that NY DAG does not correctly lay out the policies of VPK, that party members "do not recognize themselves" in the newspaper.

This criticism deserves answers. NY DAG would not be able to fulfill its mission if its contents consisted mainly of reports of numbers, resolutions and parliamentary motions. Then it would be an internal information newspaper. A publication of the daily newspaper type such as NY DAG must work in another way. It must be free, impertinent and independent. It must continuously search for new areas and give new angles of attack to questions in which the readers are interested. It must

naturally sail in the same waters and in the same direction as the political party it represents, but such sailing cannot take place after having been on a fixed course for too long.

NY DAG is published by the Communist Left Party, but the paper will give space to all voices which together make up the socialist left. To strengthen these, and through cooperation to make them an influential force in Swedish politics is a decisive mission.

NY DAG cannot become silent. Its voice is too precious to be lost by the Swedish labor movement in its struggle for freedom, democracy and socialism. Our newspaper appeals once again to its loyal readers and news dealers: Let us now lift NY DAG to larger editions, greater power, and thereby a better newspaper.

### **Internal Fights Weakening Party**

36500095 *Stockholm NY DAG in Swedish*  
3-9 Mar 88 p 2

[Editorial: "VPK Before the Election"]

[Text] Both friends and opponents have difficulty imagining a Riksdag without VPK members. That would mean that there is no party in Sweden's Riksdag with an articulate socialist goal. Such a situation would not correspond with the state of opinion of the Swedish people today.

But this threat can become reality if the recently published figures from both SIFO [Swedish Institute for Public Opinion Research] and IMU [Institute for Market Research] polls are correct.

It should immediately be said that the results of both polls call for even more than the usual amount of cautious interpretation. In one poll the Social Democrats are pulling strongly ahead, in the other they are falling behind.

But they both agree that VPK is below the dangerous 4-percent level.

It is hardly any consolation that this has happened before. One-half year before the election it is irresponsible to be thrilled by such optimism. The situation must be considered serious.

There is no doubt that the dissension about the gasoline tax and about NY DAG play a part in the low poll figures. A political party which can be depicted as split by dissension does not attract members. And it does not help if the chasms are not as great as the political opponents claim.

We will solve the uncertainty about NY DAG with the help of our readers. That we can do. What is worse is the difference of opinion in the VPK Riksdag Group about how to vote on the gasoline tax question. One can

obviously discuss whether or not it was right of VPK to press for guarantees for better railway traffic financed by increased gasoline tax. Every tax increase hurts the groups which still have lower real wages than ten years ago.

The decision should have been preceded by an orderly discussion of the basic problem of how traffic maintenance will be organized over the long term, and how to moderate the negative effect of automobiles on the environment.

Now, however, a decision has been made by the VPK Executive Committee following an intensive debate. That is the method of reaching decisions between party congresses, according to the party regulations. That decision must be respected. Otherwise VPK risks being seen as a politically split force which is losing respect.

The Communist Left Party is facing an election. Either we settle these internal conflicts and move in the same direction, or the party is risking greatly reduced influence in Swedish politics.

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### **Environment Party Big Loser in Poll**

#### **Dropped by 2.5 Points**

36500089 *Stockholm DAGENS NYHETER in Swedish*  
3 Apr 88 p 12

[Article by Dick Ljungberg]

[Text] The Environment Party-Greens, which is currently holding its congress in Uppsala, is down sharply in the DAGENS NYHETER-IMU [Institute for Market Research] voter poll for March. The political blocs in Parliament are exactly even.

The poll was conducted during the period from 22 February to 16 March, with 895 individuals being interviewed in their homes. During the period in question, the government submitted a number of important bills, including one on the environment and the phasing out of nuclear power and one granting a special increase in pensions. The debate on the FFV's [National Industries Corporation's] arms deals through Great Britain got underway.

The Environment Party's 2.5-percent drop to 6.5-percent was the only statistically reliable change since the IMU's previous poll in February. The special question in which the IMU asks those indicating a "best party" today whether they are also sure that they intend to vote for that party in the September election shows a continuing low level for the Greens. Only 55-percent of the party's sympathizers today are also reliable voters, compared to an average of 80-percent for the other parties. This means that the Environment Party's reliable voters are scarcely enough to take the party past the 4-percent barrier and into Parliament.

	Voter Opinion			Long-term trend March 1986
	Mar 85	Feb 86	Nov 87	
Number of interviews	895	901	866	
Percentage with a party preference:				
Social Democrats	41.5	41.5	42.5	41.4
Conservatives	18.0	18.5	19.5	18.8
Center Party	11.5	11.5	11.0	10.1
Liberal Party	16.5	15.5	14.0	15.8
VPK	5.0	3.5	3.5	4.2
KDS	1.0	0.5	0.5	0.9
Environment Party-Greens	6.5	9.0	8.5	8.6
All other	0.0	0.0	0.5	-
Total	100.0	100.0	100.0	
Unable or unwilling to name "best party"	4.5	4.0	4.0	

The interviews were conducted between 22 February and 16 March 1988.

The situation among voters is stable. In the March poll, most parties are close to their long-term trend. The exception is the Environment party, which shows a statistically reliable drop since the February poll.

Changes between two successive polls should be interpreted with great caution unless they are said to be statistically significant. Instead, one should look at trends over the three latest polls or at differences with respect to the long-term trend.

The statistical margin of error for an individual poll is as follows:  
Social Democrats: about 3 percent; Liberal and Conservative Parties: about 2.5 percent; Center Party: about 1.9 percent; and all others: from about 0.7 to about 1.5 percent.

The long-term trend is calculated as a moving average of the seven most recent polls.

The survey was conducted among a nationally representative probability sample of Swedish citizens between the ages of 18 and 74. The interviews were conducted during home visits. The question asked was this: "Which party do you consider best?" Preferences were expressed using "ballots" and "ballot envelopes."

### Very Stable

But the IMU poll records only the current distribution of party preferences as of the period of the poll, so it is not an election forecast. Here are the March results, with the changes since February shown in parentheses: Social Democrats: 41.5 percent (no change); Conservatives: 18.0 (-0.5); Center Party: 11.5 (no change); Liberal Party: 16.5 (+1.0); VPK [Left Party-Communists]: 5.0 (+1.5); KDS [Christian Democratic Union]: 1.0 (+0.5); Environment Party: 6.5 (-2.5); and all others: 0.0 (no change), while 4.5 percent were unable or unwilling to name a "best party."

The situation among the voters is therefore very stable, according to the IMU. The March figure for most of the parties is very close to their long-term trend, which is a moving average of the seven most recent polls.

The situation between the blocs in Parliament is also very even. In March, the socialist parties had a 0.5-percent lead over the nonsocialists excluding the KDS (46.5-percent compared to 46.0-percent). In February, the nonsocialists were ahead by 0.5-percent.

### VPK Jump

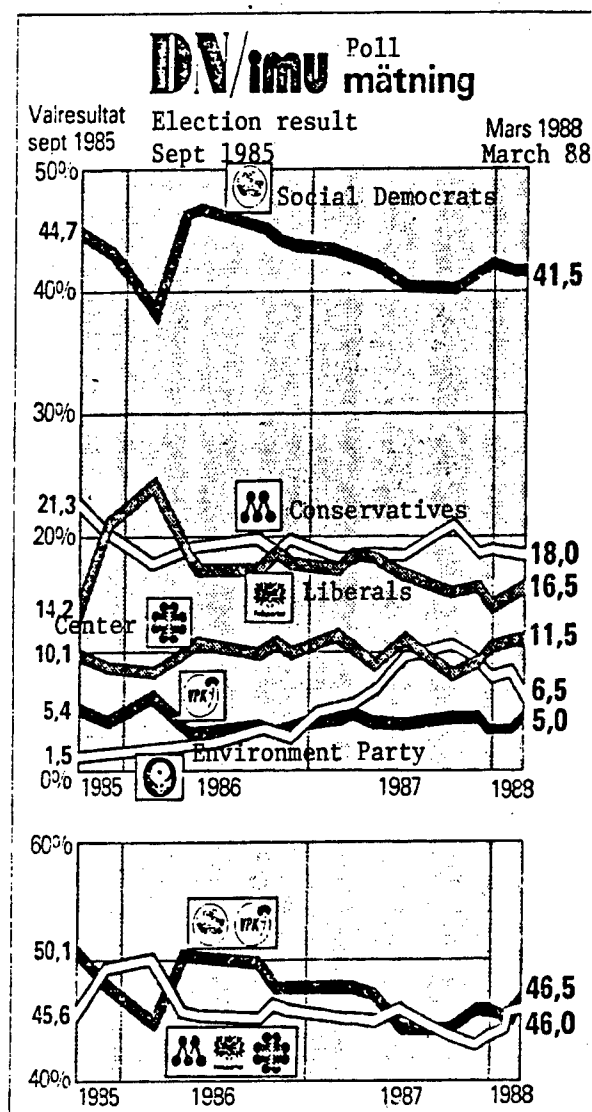
The Social Democrats are holding steady at a low level in the IMU poll: 41.5-percent is only 0.1-percent above their long-term trend. In the 1985 elections, the government party got 44.7-percent. The VPK has taken a jump upward to 5-percent after scoring 3.5-percent—below the minimum required for representation in Parliament—in two consecutive polls. A few more polls will be needed to determine whether this marks a break in the trend. In the last election, the VPK received 4.5-percent.

In the nonsocialist bloc, it still seems to be an open question as to which party is going to be the biggest. The Conservatives have shown a decline over the past two polls from 19.5- to 18.0-percent, and the Liberal Party has improved during the same period from 14.0- to 16.5-percent. In the election, the Conservatives received 21.3-percent of the vote and the Liberals 14.2-percent.

### Middle Parties Bigger

The Center Party has moved up in the IMU poll. The party stood at 9.0-percent in October of last year, but after two more polls, it is now up to 11.5-percent. The long-term trend for the Center Party stands at 10.1-percent, which is exactly what the Center Party and KDS combined received in the 1985 elections.

The way things look now, the Liberal and Center Parties combined—the two former "middle parties"—may turn out to be much bigger than the Conservative Party in the election, and that would be very significant in the event



The opinion study should not be seen as an election forecast, but rather indicates party sympathies as of the date.

of a change of government. It would also make it harder in the campaign for the Social Democrats to claim that a nonsocialist government would pursue a rightwing policy.

### Undecided Voters

But the Environment Party may tip the scale on the government issue if it has the stamina and resources to continue the race right up until Sunday, 18 September. The party must be able to persuade its current supporters to take that support to the ballot box.

The reason is that in the IMU's special survey of people's willingness to vote for the party they support now, only 55-percent of those supporting the Greens were certain



that they would cast their ballot for that party. The figure was 53-percent in February. The March results for the other parties were as follows: Social Democrats: 88-percent (compared to 83-percent in February); Conservatives: 84 (73 in February); Center Party: 80 (85 in February); VPK: 78 (81 in February); and Liberal Party: 66 (58 in February).

### **Greens Reject Choosing Bloc**

36500089 Stockholm DAGENS NYHETER in Swedish  
3 Apr 88 p 12

[Article by Ake Ekdahl]

[Text] Uppsala—On the day that the Environment Party chooses to support one of the political blocs in Parliament, its chance as a swing party will be lost. Even worse, the party will probably split right down the middle.

That fact became obvious as the Environment Party continued its party congress in Uppsala on the day before Easter and debated life after the election with at least 14 seats in Parliament. A motion stating that the Environment Party should support a middle-of-the-road bloc was sharply rejected by party veteran Per Gahrton, who called the idea political suicide.

He said: "We are not going to lay that trap. The Environment Party's influence would be swept aside."

The lengthy debate on the government issue could not be concluded on Saturday, but it clearly indicated that the old policy is still in effect. The Environment Party will not commit itself in advance on the government issue, even though that is precisely the question which usually becomes the chief election topic among the parties in the fall. The minority that wanted a stand to be taken says that the government issue will gain by being decided now rather than in a tight situation after the election.

Anita Sundgren, the delegate from Osthrammar, was among the many who warned that the Environment Party would lose its credibility if it joined a bloc.

### **Giving Up Their Pay**

The other debate of the day centered on a recommendation by the congress that the Environment Party's members of Parliament give up part of their hefty pay for other party work and perhaps also for an ecology fund.

The discussion pointed up troubles with the decentralized party leadership that has been built up by the Environment Party. Besides the party congress, there are at least five other power centers demanding to be allowed to influence policy if the party enters Parliament.

To begin with, there is the party leadership—that is, the so-called political committee—with its mouthpieces, a man and a woman, instead of the usual party leader.

There is also the parliamentary group and its leadership, as well as the local branches and the individual members of Parliament, who want to vote their conscience and be less bound by group decisions.

Lastly, there is the executive committee, which during this congress has increased its influence and, among other things, been given authority to select staff and change the party's action program.

Roland von Malmberg expressed his fears this way: "Pay for MP's is a class issue for the party; we are going to get a proletariat on the party's steering committee and then on all the others in Parliament."

Another delegate, Christoffer Odman, emphasized: "The Environment Party's members should not covet a seat in Parliament for the sake of money."

But opposition to the idea of wresting part of their future pay away from any MP's that get elected was very stiff.

Robert Svartholm, a candidate for Parliament from Jokkmokk, said he would lose money by taking a seat in Parliament. And if the congress was going to talk about how he should spend his money, he no longer wanted to be a part of it. He said the congress should show confidence in its representatives in Parliament.

One delegate who claimed to be an anarchist even said that the organized life of Parliament should not be abolished at a faster pace than that at which anarchy is able to evolve.

### **No Women's List**

The proposal to mortgage immediately the party subsidy that might come with a number of seats in Parliament was rejected by the congress.

"The Environment Party must not repeat the mistakes of the previous election campaign and borrow from the future," warned Anita Sodergren, and she was shocked that the party, on the eve of its entry into Parliament, had already started to compromise away its ideals and ideas.

The proposal to adopt a special list of women before the election was rejected. Gunnar Hakansson, the very patient chairman of the congress, was already having trouble organizing the list of speakers at the congress, where the names had to be arranged so that men and women would alternate as speakers.

The idea of organizing work in Parliament will have to wait a little longer: the congress did not want to hear about any detailed instructions, even though delegate Kent Lundgren was afraid that if the Environment Party's MP's were too unorganized, they would make themselves ridiculous in the eyes of the voters and the mass media.

**Paper Views Environmentalist Congress**

36500089 Stockholm DAGENS NYHETER in Swedish  
3 Apr 88 p 2

[Editorial: "A Moralizing Congress"]

[Text] During the first couple of days of the Environment Party-Greens congress, everyone was in relative agreement concerning policy. The opening on Good Friday was calm, especially when compared to last year's chaotic congress in Karlskoga. Deeper discussion of specific issues that arouse more disagreement in principle—such as the party's attitude on freedom of research—was postponed until after the election.

But the party's own affairs cannot wait, and to many members of the Environment Party, issues involving the party's own conduct seem to be the most important, at least from the moral standpoint. A debate over whether the party should borrow money to conduct its election campaign was conducted using such terms as "mortgaging the future." The much-awaited debate on the day before Easter concerning the pay to be received by any MP's that might be elected and their accounting for it turned out to be concerned to a great extent with the moral worth of Environment Party members: with whether they are as shaky in that area as other politicians or deserve greater confidence as a result of their convictions.

That line of reasoning may be understandable in a party whose members have been induced to make big sacrifices in both time and money over the years. But at the same time, it meant that suspicion was being cast on the ability of the party's candidates for Parliament to stand up for their ideals, and the impression created is that a great many in the Environment Party still have little faith in representative democracy—even within their own movement. That contributes to the impression that relations between the party organization and a parliamentary group might be extremely complicated.

Strongly moralizing tones were also heard at times as the congress dealt with a few motions concerning the Environment Party's stand on the government issue. A number of motions stating that the Environment Party should declare itself in favor of a government across the bloc boundaries and do so before the election were refuted by Per Gahrton, who crushed them with superb rhetoric but dubious arguments about the value of a weak government dependent on the Environment Party.

It is obvious that even in a party as newly established as the Environment Party, there are dogmas which must not be challenged, at least during an election year. The standards seem to stiffen more quickly every time the word "morals" is uttered.

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## EUROPEAN AFFAIRS

### European Shipbuilding Capabilities, Prospects Reviewed

36200074 Koblenz MARINE RUNDSCHAU in German Jan/Feb 88 pp 8-17

[Article by Harald Fock: "Naval Shipbuilding in Europe"; first paragraph is MARINE RUNDSCHAU introduction]

[Text] Europe, once the cradle of worldwide naval construction, continues as before to play a dominant, simultaneously creative and productive, role despite increasing American and also Asian competition. This holds true for both East and West. However, while East European naval construction, with some exceptions, is concentrated primarily in the Soviet shipyards on the Arctic Ocean, the Baltic and the Black Sea, and the GDR, Poland and Rumania—despite their highly developed shipyard technology—have produced only smaller warships (including medium-sized frigates and amphibious landing ships), the shipyards of North, West, and South Europe—often in competition with one another—virtually cover the entire spectrum of modern naval shipbuilding. In the following article, our long time naval construction expert examines the dominant European shipyards, analyzes the most important warship models and describes the most important procurement projects.

In pronounced contrast to the Eastern Bloc which, aside from KONI-class frigates, generally exports only models—though sometimes slightly modified—adopted by its own navy, the shipyards of free Europe usually offer a wide range of models in accordance with customer requirements in order to satisfy the varying demands of the export market. Although viewed critically or opposed by certain political factions—not least in our own country—the fact must not be overlooked that export orders, especially in naval construction which is the most expensive and extravagant armament sector, are of critical importance. The commercial shipbuilding industry is depressed worldwide and also completely distorted in many countries by state subsidies. National navies are today less able than ever to offer full employment to relevant naval shipyards by assuring required continuity of contracts for new construction. Maintaining places of employment for highly specialized labor and that certain, up-to-date "know how" can only be accomplished by appropriate export contracts. The tremendous increase in the number of independent coastal states brought into being by post-war decolonization, which for many reasons—not least to secure their claims arising out of the latest conference on maritime law—maintain navies, has inevitably produced a relatively broad demand. It must not be overlooked, however, that this relatively large demand is currently primarily restricted to relatively small, though numerous vessels and, even more important, that this demand is being met by bidders whose numbers increase from year to year. The number of developing and Third World countries

which—at first often by assembling prefabricated components or under license—have established, or are in the process of establishing, their own competent naval shipbuilding industry, is constantly growing. Thus, competitive pressure is also growing while demand remains relatively constant and may in time even decrease because of economic problems or continuing disarmament efforts.

### More Bidders on the World Market

The large, traditional European naval shipbuilding countries such as Germany, France, Great Britain, Italy (and the Soviet Union) have to realize that not only the tested shipyards of smaller European countries—such as Belgium, Finland, Yugoslavia, the Netherlands, Norway, Sweden and Spain (Denmark has just about withdrawn from this company in recent years) but also newcomers such as Greece and Turkey have constructed qualified production facilities which build for their own navies and also appear as bidders on the world market. In addition there are, of course, similar developments—which will not be discussed in detail in this context—in the South American, North and South African, and Asian countries. For a certain time the traditional industrial states, with presumably declining production, will continue to hold a dominant position in exporting their know-how and specialized installations. However, in time this position will also decline at an increasing rate.

Finally, it must also be pointed out that any repudiation of the export naval shipbuilding industry for idealistic or ideologic reasons—as in the case of Chilean submarines some years ago, for instance—from a practical point of view has no effect excepting the loss of jobs in the country itself. If, for whatever reason, a country wants to have warships, it will get them either from European, American or Asian competitors or—simply by exploiting the peculiarities of a bi-polarized world—from the Eastern bloc. Examples for just this abound in recent years.

The activity of East European shipyards is accessible to public view only to a limited degree, and some Western shipyards, often at customer request, also tend to be less than willing to talk about the progress of or preparations for new construction. A procedure which is, after all, not totally incomprehensible.

### Cooperation Predominates

In recent years new construction in Belgium has been limited to T.V.M. Beliard's (Ostend) completion of the minehunters of the Franco-Belgian-Dutch tripartite joint development. Such shipyards as Cockerill and Boelverf, which 1974/78 built the Wielingen-class guided-missile corvettes for its national navy, currently lack orders for warships.

The shipyards of the German Federal Republic—whose civilian construction operations are in a crisis because of the unrestricted subsidization policy of most shipbuilding countries—have, on the one hand, benefitted from the Navy's push for new construction, the volume of which exceeded the billion mark for the first time in 1987; while some shipyards, on the other hand, were able to maintain or expand their established position in the export market. Aside from some interesting new construction for the Federal Office of Military Technology and Procurement (just recently five multi-purpose 745-class vessels, valued at DM18 million); some tugboats; and the three scout vessels (class-423 navy service vessels: Oker, Oste, ...) currently being completed at the Neue Flensburger Schiffbaugesellschaft—which despite their gray paint cannot, after all, be counted as warships—actual naval construction at German shipyards continues, as it has for years, to emphasize the construction of frigates, submarines, fast patrol boats [FPB] and mine combat boats [M boats]. Thyssen Nordsee Werke (TNSW) and Bremer Vulkan (BV) are building the seventh and eighth 122/Bremen-class frigate (Augsburg and Luebeck) for the Navy. BV is general contractor and also responsible for final outfitting of the ships; however; TNSW will deliver the Luebeck with a relatively large degree of its equipment in place and will, moreover, provide the superstructure and the foundations for machinery for the Augsburg. Blohm + Voss (B + V) and Howaldtswerke-Deutsche Werft AG (HDW) are building a total of five frigates for Portugal (3) and Turkey (2) in accordance with the proven B + V MEKO concept. The B + V frigate Yavuz has already been delivered. The B + V MEKO concept is trend-setting because of the containerization of its weapons, electronics, and equipment components and can be expected to enjoy continued strong demand because of its high quality and long-term economy. AFNE is currently building 10 MEKO 140A16 in Rio Santiago with B + V support for the Argentine Navy. In addition 10 class-343 fast M boats are currently under construction for the national Navy. Messerschmitt-Boelkow-Blohm (MBB) is general contractor. Final outfitting of the vessels—which are being built by F. Luerssen and delivered by Abeeking & Rasmussen and the Kroegerwerft respectively—is handled by F. Luerssen in Bremen-Vegesack.

The following have recently been built, or are under construction, for export:

—F. Luerssen: Two 600-ton corvettes and two additional TNC 45 for Bahrain, one FPB 57 for Indonesia, two model-48 M boats for Thailand (combined construction; the first, the Bangrachan, was delivered in the fall of 1987, the second, the Nongsaka, was launched at the end of 1987); additional model-TNC-45 FPBs for the United Arab Emirates as well as model FPB-62 corvettes with state-of-the-art anti-aircraft and surface-to-air missile systems for a Gulf state. An additional FPB 62 is under construction as a prototype for Singapore. Four more will be built subsequently by the Singapore Shipbuilding & Engineering Ltd.

—TNSW: Six class-210 submarines for Norway, thereby continuing cooperation with the Norwegian Navy which started with the construction of class-207/Kobben submarines between 1962 and 1967. The design came from Ingenieurkontor Luebeck (IKL) and detailed construction is handled by TNSW. While the first model, the Ula, is being built entirely by TNSW, the pressure hulls—with the exception of forward end bottoms—for the five subsequent boats (Uredo, Utvaer, Uthaug, Utstein, Utsira) are being made by Kvaerner Brug A/S in Oslo. Contractually, the first vessel should be delivered in February 1989 and the last in April 1992.

TNSW, in collaboration with HDW, moreover, is involved in the constant maintenance of the vessels of the [West German] Navy and participates together with HDW and IKL in the development project for the future class-212 submarine model for the Navy. These boats will have a hybrid drive, which combines a diesel-electric-battery propulsion with a fuel cell system. The combined concept and definition phase for this model, scheduled to last 2 years, will be carried out at IKL beginning in April 1988. According to current plans the first unit of this class is scheduled to complete its sea trials in 1994 and be delivered to the Navy in 1995.

—HDW: A submarine (the Tupy, class 209/1400) for Brazil and two class IKL-1500 for India. In both cases subsequent boats (Brazil 3, India 2) will be built under license by local shipyards with assistance from HDW. This will be the first submarine construction in their own shipyards for both countries.

—B + V: Four patrol boats for Saudi Arabia: A DM100 million contract.

While the much-courted order for Australian submarines went to Sweden, in June 1987 HDW as general contractor, nevertheless, could begin the extensive modernization program of 12, class-206 submarines, which had been built in the seventies, for the West German Navy. Included are the replacement of now inefficient or logistically insupportable systems and other equipment; the modification of the weapon systems, including a new sonar system and the installation of a position-determining and weapon delivery system (LEWA [Lageerarbeitungs- und Waffeneinsatzanlage]); the improvement of living conditions as well as the usual depot maintenance. Construction work was performed by IKL. TNSW received a subcontract making it responsible for the performance specifications detailed in the remodeling contract for six vessels (U-15, 22, 23, 26, 27 and 30). The remodeling of all submarines is scheduled to be completed between July 1988 and February 1992. They will then be designated class 206-A.

#### MTG and IKL Lead in Design

Independent of the modernization project of class 206, HDW in the spring of 1987 started the trend-setting reconstruction of the U-1 submarine of the West German Navy (class 205). The boat received an additional

section to house a new drive which allows for longer periods of submersion without need for interim reloading of batteries by the diesel engine while snorkeling. The development of a fuel-cell drive, which is independent of outside air, was accomplished in 5 years by a consortium consisting of Ferrostahl AG, IKL and HDW at its own expense; it was tested in 1986 with the help of the Federal Ministry of Defense at a land-based test facility constructed by HDW for this purpose. The results of the U-1 sea trials, starting around the turn of 1987/88, are expected to exert considerable influence on plans for nonnuclear drives for submarines of the nineties.

Finally, TNSW is involved in extensive remodeling of the class-205 submarine U-11, between October 1987 and December 1988, for new tasks. After delivery of the two TR-1700 submarines to Argentina in 1984/85, TNSW is also involved in the licensed construction of three boats at the Argentine shipyard Mistro Manuel Domecq Garcia and with technical production support for the remodeling of six submarines (Kobben class) in Norway for the Norwegian Navy and three others for the Danish Navy. The TR-1700 concept, actualized by TNSW, has also been of interest to other navies.

The Marinetechnik GmbH (MTG) continues to exert a remarkable influence on naval architecture. It was founded in 1966 as a central design facility for surface ships at the initiative of the Federal Ministry of Defense by 12 well-known shipyard and electronics firms. The class-143 FPB, the frigate 122 as well as the class-343 M boats were among those planned and designed by MTG. The following more recent projects deserve to be noted:

—The frigate NFR [NATO Frigate] 90/F 124 [NATO Frigate] 90/F 12 [NATO Frigate] 90/F 12: In the context of the International Ship Study (ISS) Association, Hamburg, eight NATO countries had arrived at a technically interesting concept for the NFR 90, the NATO frigate for the nineties, as the result of a 1985 feasibility study. MTG was the German national lead company and one of the eight companies of ISS. The West German Navy's particularly urgent requirement for frigates necessitated priority construction of four ships derived from MTG designs for the F 124, the national version of the NFR 90. These frigates will, on the one hand, be patterned after the proven F-122 class but they will also provide sufficient flexibility for later adaptation to NFR 90 equipment. Four North-German shipyards—BV, B + V, HDW and TNSW—bid jointly on the pending construction of the four frigates which are intended as replacements of four Hamburg-class destroyers which were built in the early sixties and now require increasingly high materiel maintenance costs. A syndicate agreement was concluded for this purpose. The DM2.6 billion contract was issued in December 1987 after the conclusion of armament planning discussions. BV and B + V function as general contractors.

—The fast experimental boat (SES 700), designed as a surface effect ship (SES), builds on the extensive experience of the United States which was placed at the

disposal of the Federal Republic. The MTG design calls for a 50-knot vessel with four gas turbines, hydrojet propulsion and an auxiliary electric drive for low-noise travel. Its characteristics were examined and verified by an extensive model test program at the David Taylor Research Center in Washington. The project is viewed as an interesting and important step even abroad since it would be the largest surface effect ship ever built in the world. It would provide the West German Navy with SES-technology prototype with which to test the suitability of this type of vessel for various future tasks in domestic waters. Aside from its high speed, the large space offered, a favorable sound and pressure signature, low vulnerability to mines and torpedoes, and excellent seaworthiness make the SES an interesting project.

—A design is being worked on for a SWATH (Small Water Area Twin Hull), called "Halbtaucher" [semisubmersible] in German, as a military research ship to succeed the military research ship Planet: [There are] two cigar-shaped submersible bodies which are connected by narrow supports to an above-water platform. This design exhibits excellent seaworthiness, since the movements of the ship are largely unaffected by the motion of the sea because of the narrow profile of components which penetrate the water surface—a characteristic that is particularly important when engaged in oceanographic tasks. The ship's drive is diesel-electric with the diesel generator located on the platform above. A comparative study with a conventional design has shown that SWATH offers more space and better spatial arrangements and that its price is competitive. An extensive model test project currently in progress at the Hamburger Schiffbauversuchsanstalt (HSVA) [Hamburg Shipbuilding Testing Institute] is designed to clarify questions relating to resistance and propulsion, seaworthiness properties as well as stability while under stress in high seas. Here, too, experiences are being exchanged with foreign countries, primarily the United States.

The SES-700 and the military research ship projects are well-suited to expand MTG's experience considerably and to put the high level of modern surface ship technology in the Federal Republic to the test.

In the course of international commerce IKL is currently working on class-209, model 1400 boats for the Brazilian Navy; under contract with HDW on construction tasks relating to the class-209 model 1200 for a new client in the Far East; on a submarine project for the Mediterranean area; as well as on projects for a variety of clients who are working with IKL in submarine construction either for the first time or for the second and third time. Even the Australian commitment, which was awarded to a Swedish competitor, could be successfully applied to other jobs. IKL continues to play a prominent role, both nationally and internationally, in the construction submarines with nonnuclear propulsion.

#### **New Construction Outside the Federal Republic**

The well known Danish naval shipyards (Frederikshavn Vaerft, Aalborg Vaerft) at this time have no significant

orders for new constructions. The last vessel to be delivered was the 500-ton patrol boat Fouta which was built by Danyard Frederikshavn for Senegal to patrol the 200 nautical mile Senegambian economic zone and for fishery protection.

Two other units of this type are under construction for Morocco. Since the amount budgeted for new national construction was insufficient, three older, Norwegian Kobben-class submarines were purchased which, after modernization, will replace the even older Springeren-class units. However, by 1991 all 16 boats of the Standard-Flex-300 program are supposed to be in service. The hulls for the first series were assigned to the Swedish Karlskronavarvet. Outfitting will be done in Denmark. The boats are designed in such a way that, by means of containerization, they can be employed, as needed, as patrol boats, minelayers, mine countermeasures boats, or as torpedo/guided-missile FPBs. The four planned fishery-protection vessels to replace Hvidbjornen-class units will definitely be built by domestic shipyards.

In the German Democratic Republic naval shipbuilding in recent years was increasingly centered at the well-designed and specialized Peenewerft in Wolgast. The Parchim-class antisubmarine ships—which replaced the Hai-class—were recently built there as were the Altmark-class 2,400-ton resupply ships, called “floating bases.”

Finland, just as the GDR, has a very efficient shipyard industry that excels not least in the construction of icebreakers, ferry and passenger ships; however, naval construction plays a decidedly subordinate role for political and geostrategic reasons. Wartsila in Helsinki produced the first series—called combat boat 80—of Helsinki-class guided-missile FPBs. Four additional boats, designated Helsinki-II class, have been ordered from Hollming in Rauma. After completion, eight modern and four older boats (made by the Soviet Union) will be available as missile launchers. Hollming and Rauma Oy recently also built two offshore patrol boats each as well as some auxiliary vessels for the Soviet Navy. The generally good utilization of the shipyards—not least because of Soviet and Western orders for specialized and merchant ships—should make a commitment to naval construction unnecessary.

The relevant shipyards in France are engaged almost exclusively, although recently very extensively, in filling domestic orders. This should not, however, distort the fact that France—similar to Great Britain—has always found, and will continue to find, good customers in its former colonies, particularly for the armament sector. The more recent construction for the national Navy comprises the 36,000-ton aircraft carrier Richelieu currently under construction at the Brest national shipyard; five guided missile destroyers at the Brest and Lorient (the Primauguet and the Lamotte-Piquet are finished); a 12,700- to 14,200-ton strategic guided missile submarine (Le Triomphant) and a nuclear attack submarine (the Emeraude) at the Cherbourg national shipyard; three

Eridan-class minehunters at the Lorient national shipyard; as well as one large dock-landing ship each at the Brest and Dubigeon (Nantes) national shipyards. The first, the Foundre, has been designated 90-class TDC, it will be operational in 1990 and reach 11,800 tons. The Bougainville, recently delivered by Dubigeon has been called “Batiment de transport moyen et de soutien,” and is supposed to serve transport and support tasks for French units deployed in the area of France’s Pacific territories. The open dock area, a helicopter deck, a 37-ton crane and quarters for up to 500 men correspond to its mission. An order for six 600-ton landing ships was recently awarded to the Societe Francaise de Constructions Navales (Villeneuve).

A “Post-Rubis” program anticipates the construction of, at this time, three nuclear attack submarines which are supposed to receive—compared to the Rubis-class—a much-improved hull design and to be equipped with two reactors, instead of the previous single reactor. Two of these are already under construction at the Cherbourg national shipyard. Plans exist for the acquisition of six 900-ton minehunters for oceanic missions. The formerly significant export of FPBs by CMN appears to have faltered somewhat. Two larger patrol boats are currently planned and two under construction for Gabon. The 1985/86 delivery to Saudi Arabia of four model-F-2000 frigates (Madina, Hofouf, Abha, Taif) by the Lorient national shipyard and NORMED (Toulon) was a prominent export event. The export of patrol boats by smaller Mediterranean shipyards such as L’Esterel, Auroux and others could not be precisely ascertained.

All French naval construction—as it relates to design, testing, construction, armament, ammunition, equipment, etc—is controlled by the Direction Technique des Constructions Navales (DTCN) [Directorate for Naval Construction Technology] and, as indicated above, produced primarily by the national shipyards at Brest, Cherbourg, Lorient and Toulon all of which also report to DTCN. DTCN also handles most export orders unless they deal with small vessels (patrol boats, guard boats, etc) produced by private firms.

The naval picture in Greece is characterized by the fact that the entire destroyer flotilla as well as the bulk of frigates, minehunters and landing ships are completely obsolete. For the modernization of the submarine arm, which occurred in the seventies, HDW’s shipyard was used; for the modernization of the FPB and patrol boat arm, the Hellenic Shipyard (Scaramanga)—in parts under license and in parts also independently—delivered the first domestically-produced units. Construction of the first of a series of five 4,400-ton tank landing ships started in the spring of 1987 at the Eulisis shipyard. Construction of four new frigates is being discussed—interest has been expressed in the MEKO 200 offered by Blohm + Voss; the Italian Lupu; an improved Leander, designed by Vosper Thornycroft; and a design offered by

Todd Pacific Shipyards. However, it is considered important that the ships are constructed in Greece, presumably at the Hellenic shipyard.

### Royal Navy Under Economy Restraints

Domestic contracts have recently also dominated Great Britain's shipbuilding industry—once again in private hands—although the initiated new construction of four Vanguard-class strategic nuclear submarines—to be equipped with Trident 2-D-5 missiles—as replacements for the Resolution-class units built between 1964 and 1969, is placing a severe strain on the budget while construction for export is quite rare.

The extent of new construction falls far short, therefore, of meeting the requirements of the Navy and serving as a vehicle for providing jobs. Cammell Laird, Swan Hunter, Vosper Thornycroft and Yarrow have received, or are in the process of receiving, orders for model-42-C, batch-3 guided missile destroyers (Gloucester, York, Edinburgh) and model-22, batch-2 and batch-3 frigates and are in the process of completing four model-23, Duke-class frigates (Norfolk, Marlborough, Argyll, Lancaster). Other vessels of this model are supposed to be built for and in Pakistan (?). Under construction at Vickers Shipbuilding & Engineering Ltd—after completion of the Torbay on 7 February 1987—are the last three nuclear Trafalgar-class attack submarines that were initiated in 1977: the Trenchant (launched 3 Nov 86), Talent and Triumph; the Vanguard as the first of four new strategic Trident-class nuclear submarines; and the Upholder (launched 2 December 1986, completion March 88) as the first of a series of conventional combat submarines. The contract for the second Trident submarine (Vengeance) is expected soon. The remaining two are to be named Victorious and Venerable. The firm also received a contract for design studies for a modified Trafalgar class planned for the nineties. Three other conventional units of the Unseen, Ursula and Unicorn submarine class, designated as model-2400 boats, are being built by Cammell Laird.

Vosper Thornycroft and Richard Shipbuilders (Lowestoft) have almost completed a series of 12 River-class fleet minesweepers and 13 Brecon-class mine countermeasure vessels (MCMV). The construction time for the Brecon of 4 and 1/2 years was reduced to less than 2 years for the 10th unit. The requirement for minesweepers, made even more obvious by recent events in the Persian Gulf, is being met by 20 450-ton single role mine hunters (SRM). After the pilot unit Sandown, four additional vessels of this type were assigned to Vosper Thornycroft in the summer of 1987. Even after phasing out 18 coastal minehunters/minesweepers of the Ton class, built 1951/60, Great Britain—after conclusion of its construction program—would, with 45 mine countermeasure vessels, have a considerable share of the total capacity of such vessels within NATO.

Watercraft (Shoreham) delivered for the Royal Navy a total of 14 P-2000-class 80-ton patrol boats and Hall Russel (Aberdeen) three 2,000-ton tug and salvage vessels with a 200-ton lift capacity and for Hong Kong's water police five Peacock-class surveillance vessels. Since using the Peacock soon turned out to be too expensive, two units were offered for sale—a decision which had to be reversed because of Chinese pressure. Brooke Martin—next to Vosper Thornycroft Great Britain's outstanding shipyard for fast patrol boats—with the Roebuck delivered another 1,000-ton coastal surveillance ship. Significant are the plans for rejuvenating logistic elements by two series each with six fleet supply units. The first series, already launched by the construction contract for the Victoria, is supposed to have a displacement of 40,000 ton when fully equipped and—in addition to the supply tasks—be usable as a floating base for antisubmarine helicopters.

More recent foreign orders were or, respectively, are the Rushcutter-class minehunters for Australia being built by Carrington (Newcastle); two Vosper FPBs for Kenya (of these the Nyayo was placed in service in the summer of 1987); another, a Dhofar model, for Oman and the previously mentioned frigates for Pakistan. Vosper Thornycroft has also entered the competition for the construction of frigates for Greece and for Australia/New Zealand with a modified version of the British Leander. Brooke Marine, Fairy Marine and others produced additional small vessels for international clients (Bahrain, Bahamas and others).

Because of close ties to West European and other firms, it also seems appropriate to discuss briefly naval shipbuilding in Israel. True to the principle of remaining independent of any embargo measures, observed since France withheld the FPBs, Israel—not without financial assistance from the United States—has developed a rather significant, diverse and imaginative armament industry which, aside from supplying its own Armed Forces, has also become successful in the export market. Naval construction—centered at the Israel Shipyards (Haifa) and its RAMTA offshoot in the interior—for its own Navy is, in line with requirements, limited to FPBs and other patrol boats. The former are produced both in conventional designs (Sa'ar model) and as hydrofoils under American license. South Africa, Taiwan and Singapore, among others, have been identified as licensees for Israeli FPBs and guided missile construction—the first two countries have to suffer, just like Israel, under embargo-related problems. At the end of 1986, moreover, 14 Dvora-class FPBs were delivered to Sri Lanka. The latest development is a light metal-construction 50-ton FPB called Superdvora, which can be equipped automatically with floating-target missiles, torpedoes or automatic weapons and intended for inshore waters operations. The development of corvettes with regard to design had already made good progress several years ago but was then, presumably for financial reasons, discontinued for the time being. Recently bids for the construction of four 1,000 to 1,200-ton corvettes (Sa'ar V) were

internationally solicited—with a clear preference, however, for U.S. shipyards—the installation of weapon systems was to be done in Israel. Also planned is the construction of three submarines. Their design will probably be handled by the German IKL, which had also furnished the designs for the submarines built in England 1974/77 for the Israeli Navy. Whether construction will take place at a North European shipyard or whether prefabricated components will be assembled in Israel is still unresolved.

#### Italy's Naval Construction at a High Level

Illcantieri (Monfalcone) completed the helicopter cruiser Guiseppe Garibaldi and is also building two conventional Nazario Sauro-class submarines which will be equipped with torpedo tubes suitable for "Sub Harpoon." The Salvatore Pelosi was launched 29 November 1986. Cantieri Navali Riuniti (CNR) in Riva Trigoso and Muggiano is engaged in the production of two guided missile destroyers (Animoso, Ardimentoso) and also in five of eight 1,200-ton Minerva-class frigates; Fincantieri (La Spezia and R. Trigoso) is working on four frigate-type offshore Spica-class surveillance ships and on two 7,665-ton multipurpose dock landing ships of which the San Giorgio is close to completion and the San Marco almost ready to be launched. They are designed in such a way that, aside from amphibious operations, they are also suitable for search and rescue operations at sea. An external characteristic is an aircraft carrier type deck for helicopter operations. The aft dock area can accommodate and float three LCM. The Marco is being financed by the Ministry of the Interior (the Navy bears the cost of crew, weapons and routine maintenance) and is scheduled to receive special equipment for rescue and disaster operations at sea. CNR's operations at Muggiano in May 1986 introduced the Saettia, a guided missile FPB built as a private venture. CNR also produced, and in 1987 delivered, the Alliance, NATO's research vessel which serves all of NATO's centralized basic research in submarine warfare. Intermarine (Sarzana) completed the last, already upgraded Lerici-class 470/502-ton M-boats. Eight modified vessels have been ordered. The shipyard built two similar boats for Nigeria (Ohue, Marabu) and four others for Malaysia (Mahamaru, Jerai, Ledang, Kinabala). Intermarine concluded an agreement with the U.S. Navy in 1986 to develop a Lerici derivative that would conform to U.S. concepts. The vessels are to be built by the newly founded Intermarine USA. CNR, finally—after completing two 605/685-ton corvettes in 1984/85—was able to build four frigates (Hittin, Thi Qar, Al Qadissya, Al Yarmouk) for Iraq in its Muggiono and Ancona plants, which correspond to the Italian Lupo class. Breda (Venice) built four 600/675-ton remarkably large guided missile FPBs for the same client who currently lacks an appropriate coastal base.

Crestitalia has already specialized in fiberglass-reinforced plastic constructions since 1961 and today produces patrol boats with up to 118-ton displacement.

Aside from several vessels for the Italian Navy and two 73-ton, 45-knot vessels for Italian customs, a 110-ton, 40-knot MV-110 model is being built for a foreign client.

It is also interesting that Italy, now as before, is continuing its systematic development of small naval warfare weapons which started after World War I. Thus, Sub Sea Oil Services SpA is offering a wide range of small submarines with 80- to 150-ton displacement and varying equipment and weapons. Construzioni Motoscafi Sottomarini (Cosmos) already sold small submarines to Pakistan and Colombia in 1973/74.

Yugoslavia's shipyard in Split, with help from English and French companies, has become so specialized since shortly before the outbreak of war in 1939 that destroyers were built by using prefabricated parts. After the war the Yugoslav merchant shipping industry was developed to become remarkably productive. Naval construction—in line with requirements for the Adriatic area of operations—has been limited to the production of a relatively large number of small warships (FPBs and other patrol boats, antisubmarine vessels, etc) which frequently have also been exported to Third-World countries, and a small number of submarines. The Tito shipyard (Kraljevica) is one of the centers of naval construction. It is currently building four 400-ton guided missile FPBs for the national Navy and, according to information received, four guided missile FPBs of the same model for the Libyan Navy. Also under construction or completed are two 1,850-ton frigates (Kotor, Pula) and one 600-ton landing ship. It is interesting that not only Italy but Yugoslavia, too, has recently started to build small submarines (Una class, 20 meters, 4 knots).

#### Emphasis on Specific Classes

The excellent shipyards of the Netherlands have in recent years consistently concentrated on the development and construction of frigates, M-boats and submarines. After selling the Witte-de-With and Pieter-Florisz frigates to Greece, De Schelde (Vlissingen) first built two slightly modified replacement ships (Jacob van Heemskerck, Witte de With). Another new construction, the torpedo-test ship Mercur (64.8 x 12.0 meter; 1,400 ton), underwent sea trials in June 1987. On the basis of this model the shipyard is offering an offshore surveillance ship called Hermes. At this time a pilot ship, the Karel Doormann (initially De Zeven Provinciën) is being constructed for a somewhat smaller series of initially 4 and later 8 or 12 frigates with a displacement of 2,650/3,650-ton. The pilot ship is scheduled to be launched early in 1988. The Rotterdam-based Droogdok Mtsch. has been in the process of building six Walrus-class submarines which have aroused wide interest not least because of their armament (either 20 torpedoes or the same number of sub-"Harpoon" antiship guided missiles). Completion of the pilot ship was, however, delayed because of constant modifications. In the end, the pilot ship Walrus was so severely damaged by fire in 1986 that sea trials cannot start before 1990. The entire



class was, therefore, renamed Zeeleuw for the subsequent vessel which was launched 20 July 1987 and will start sea trials toward the end of 1988. There is a chance that the shipyard will also build this submarine model for Saudi Arabia. Based on the Walrus/Zeeleuw, the shipyard is further offering the Zwaardfish Mk.2 model which also displaces 1,900/2,350 tons and the Moray 1,100, 1,400, and 1,800 series. The latter follows a standardized modular concept which, in terms of size, can be adapted to customer requirements.

Soon to be concluded by Van der Giessen-De Noord (Alblasserdam) is the construction, started in 1979, of the 15 Belgian-French-Dutch Tripartite model-M boats. The firm is delivering two similar models each to Egypt, Indonesia and Kuwait. The latter (Mecca, Medina) will, for the present, be taken out of the national program.

Wilton-Fijenoord is supplying Taiwan with two submarines, the Sea Dragon and Sea Tiger, which were derived from the Dutch Walrus/Zeeleuw class. They were built in 4 and in 3 and 1/2 years respectively. Taiwan actually wanted to order two more vessels but the Dutch government refused to grant an export license because China threatened an economic boycott. Two 750-ton displacement guard vessels are being completed for the Taiwanese customs. Also significant is the fact that the Le Comte-Holland BV (Vianen)—a specialized shipyard for patrol boats, landing ships and others—which has been conducting SES [surface effect ship] studies for some time, is now building a prototype vessel which is scheduled for completion in mid-1988. The shipyard wants to offer it in a civilian passenger ship version and, with different equipment, for military purposes. De Schelde, too, has reported the development of a 100-ton SES vessel.

After completion of Hugin-class guided-missile FPBs—a derivation from the Norwegian Hauk-class—for the Swedish Navy an ominous lull prevails in Norwegian shipyards with regard to naval construction. The previously mentioned completion of pressure hulls for the submarines being built by TNSW cannot fill this vacuum. There are plans for building 10 M-boats and—in the more distant future—24 guided missile FPBs.

Poland's efficient shipbuilding industry has concentrated in the last few years almost exclusively on merchant shipping construction. After serial construction of landing ships was apparently concluded with [the construction of] four ships for India, the Polnocny shipyard (Gdansk) in the early eighties built several research ships at Polish and Soviet expense, and six 250-ton minesweepers with fiberglass-reinforced plastic hulls were built 1980/86 in Gdynia. Since 1984 Stocznia is building two 1,100-ton Kaszub-class corvettes in Gdansk.

Naval construction has also come to a virtual standstill in Portugal. In 1986/87 some small Andromeda-class survey vessels were still built in this country. The three MEKO-200-model frigates under construction in the

Federal Republic of Germany cannot be paid entirely by the state. Most of the costs are assumed by the FRG, Canada, Norway and the United States in the context of NATO either directly or by ancillary supplies.

Rumania's effort to occupy a certain special place within the Eastern bloc is also reflected by the country's naval construction which actually dates back only to WW II. The long-term dependence on Soviet supplies was first replaced by domestic construction of FPBs under Chinese licenses and later by its own development of FPBs (Epitrop class) which were derived from the Soviet Osa class. According to recent information two roughly 4,500-ton cruiser-type superdestroyers and three roughly 1,800-ton frigates are said to be under construction or completed at Mangalia. The destroyer Muntenia (4,500 ton, 30 knots) received Soviet guided missiles (SS-N2) and apparently also artillery (76/100 mm). Two 1,200-ton minelayers were also built in domestic shipyards. Thus, the country should remain independent of Soviet deliveries of complete units for some time to come.

#### Sweden's Entry Into the Field

The technically highly advanced Swedish naval shipbuilding industry—centered in the shipyards of Kockums (Malmö), Karlskrona and Karlskronavarvet—in addition to delivering submarines, FPBs and M-boats to its national Navy, was recently able to register several significant successes in the export market. For its national Navy Karlskronavarvet is building six KKV90/Goeteborg-class guided missile FPBs and the national shipyard Karlskrona six 350-ton M-boats of the M80 MCV/Landsort class which is equipped with fiberglass-reinforced plastic hulls. Plans for additional ASW corvettes have been postponed for the time being. Until 1889 Kockums and Karlskronavarvet will be involved, moreover, with the completion of four model A-17 submarines. The first, the *Värstergöetland*, was recently delivered. The *Haelsingland* was launched 31 August 1987. In accordance with the 1981 contract, Karlskronavarvet is building the bow and stern sections while Kockums produces the center section. Kockums is general contractor and thus responsible for procurement and assembly. This arrangement was intended to serve the dispersment of jobs and also to maintain both shipyards' capability in submarine construction. Other Kockums activities relating to submarines include the construction of an outboard mine storage arrangement for submarines, the development of Sweden's next submarine model (A-19) and the construction of a submarine section with a Stirling propulsion system which is independent of outside air and intended for later installation into a Naecken-class submarine. The shipyard in June 1987, succeeded in overcoming severe competition to sign a contract with Australia for six of Kockums' model-471 submarines. No less remarkable is the fact that Karlskronavarvet, in the wake of numerous domestic and international orders for FPBs and other patrol boats, was able to capture the contract for constructing

the first series of Standard-Flex-300 boats with the fiberglass-reinforced plastic sandwich type construction. The first hull was delivered to Denmark in September 1987 to be equipped.

Spain's naval construction, which is centered at the Empresa Nacional Bazan with production facilities in Cadiz, Ferrol and Cartagena was able—aside from orders for its own national Navy—to execute in recent years rather significant export orders, some of them under license (from Luerssen, Vegesack and other firms). At this time, however, work appears to be limited to the completion of the aircraft carrier Principe De Asturias and to the last of four Santa Maria-class frigates (Oliver Hazard Perry model of the U.S. Navy). Pending are procurement plans of four submarines, two large destroyers (U.S. Spruance-class) and replacement construction for the 12 U.S. Agile- and Bluebird-class Mine combat boats built 1951/58. Morocco recently ordered six 400-ton patrol boats from Bazan.

Remarkable progress has recently been made in the assembly capabilities of Golcuk and Taskizak, the two Turkish naval shipyards. Since development and construction capabilities have apparently not yet reached the level of the assembly sector, all new construction plans consistently follow the principle of building a prototype abroad while performing subsequent construction—with more or less prefabricated parts—at the two domestic shipyards. The some of the experience thus gained is assimilated so quickly that vessels are soon offered as domestic production on the export market and—by Libya for example—also ordered. While the Golcuk shipyard has built three 209/1200-class submarines under IKL/HDW license since 1976 and has recently started assembling two MEKO-200 frigates under license from Blohm + Voss, the first of which was launched in April 1987, Taskizak is concentrating on FPBs and other patrol boats as well as landing ships. After completing four FPB 57s between 1975 and 1985 under license from Luerssen and 25 SAR-33 model FPBs under license from A&R for its own maritime police and for Libya, the shipyard could also recently complete three 2,500-ton landing ships for its own Navy. Two additional FPB 57 have been launched and two others are planned. After this start, the range of construction and export offerings of the two naval shipyards appear very interesting. [They are:] MEKO-200 frigates (Blohm + Voss); 1,950-ton escort corvette (U.S. Navy); class-209 submarine (HDW, IKL); FPB 57 (Luerssen); FPB SAR 33 (A&R); patrol boats (A&R); large and small landing ships; supply ships, etc.

Clearly the most difficult to assess on the basis of "unrestricted" literature—while undoubtedly most continuous and intensive—is the construction of warships by the North and South European shipyards of the Soviet Union. Somewhat reliable numbers are only available for larger warship models. The center of Soviet naval construction on the Arctic Ocean lies in Severodvinsk (submarines) and on the Baltic at the Zdanov,

Baltic Ishora and Petrovskiy shipyards in Leningrad (large ships, destroyers, FPBs) as well as Yantar in Kaliningrad (destroyer, landing ships). Shipyards No 444 and Kommuna in Nikolayev (carriers, cruisers, destroyers) and Zaliv (Kmamysch-Burun) stand out in the Black Sea area. Larger ships currently under construction in Nikolayev are two aircraft carriers and two cruisers and in Leningrad two battle cruisers and at least eight destroyers. Four other destroyers are being built by Yantar in Kaliningrad. Although Soviet naval construction has exhibited quite remarkable achievements in recent years, a new report by the deputy chief of staff of the Navy in the RED STAR of 27 July 1987 indicates that here, too, complaints have been voiced, particularly about excessive lay days for overhauls.

### Conclusions

Even though the status of orders in individual countries, both for the respective national navies and for export, differs in individual countries not only in degrees but quite significantly, one cannot overlook the fact that the overall status of orders is generally unsatisfactory and that, consequently, there exists considerable excess capacity. While, for reasons of employment policies, the frequently practiced dispersal of national orders among several shipyards even for smaller serial production—often ship by ship—does preserve the required broad-based know-how, this policy is not likely to prevent a reduction of capacity in time. For reasons of space, this article could not deal in detail with the extensive modernization of in some cases relatively old ships. But it is only too apparent that cost considerations will make it necessary again and again to keep older ships/vessels in service by life-extending measures and by retrofitting electronics, weapons guidance and weapons systems, even though new constructions would in many cases surely be more appropriate from a practical point of view. Noticeable is also the drastic reduction in Third-World orders, not least from the numerous African countries—a clear indication of the consequences of a world economy that has become more problematic but also of the often disastrous indebtedness of numerous countries. These trends—as well as the expansion of new national production capacities in the Near East, Asia, Australia and South America—constitute a challenge with which the European shipbuilding industry, already suffering for many years from the worldwide stoppage of merchant shipping construction, will be intensively occupied. However, this state of affairs also requires political action.

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### FEDERAL REPUBLIC OF GERMANY

#### Army Chief on Scale, Impact of Ground Force Restructuring

36200080b Bonn WEHRTECHNIK in German  
Apr 88 pp 46-48

[Interview with Lt Gen Henning von Ondarza, Army Chief of Staff, conducted at Bonn by Wolfgang Flume, date not given: "Our Goal Must Be To Maintain Our Present Capabilities." First paragraph contains Ondarza bio sketch; second paragraph has summary of interview]

[Text] Lt Gen Ondarza was born in Mecklenburg in 1933. After graduating from Gymnasium, Ondarza completed his commercial apprenticeship and subsequently entered the Bundeswehr as an officer candidate in 1956. Following training and receiving his commission as an officer, Ondarza was assigned as a platoon commander, as communications officer and as company commander. After general staff training at the Bundeswehr command school in Hamburg and at Fort Leavenworth in the United States, Ondarza went on to become G3 of a motorized infantry division; adjutant to the army chief of staff; commanding officer of an armored battalion; 3 years at SHAPE in Belgium; a semester at the Royal College of Defence Studies in London; defense attache at the FRG embassy in Washington; commanding officer of an armored division and commanding officer of Allied ground forces in Schleswig-Holstein and Jutland (COMLANDJUT) headquartered at Rendsburg. Ondarza has held the post of army chief of staff since 1 October 1987.

In his first interview as army chief of staff, Lt Gen Henning von Ondarza presents a wide-ranging analysis of the German Army. The focus of the WEHRTECHNIK interview was on Ondarza's experiences following less than 6 months on the job and in particular on the numerous problems connected with the restructuring of the ground forces over the next few years. Ondarza's goal, as he emphasizes several times in the course of the interview, is to maintain the Army's capability to deal with any threat despite major changes in personnel, budget and material conditions.

[Question] You have held the post of army chief of staff for just about 6 months now. Have you focused on any other major issues in addition to the ground forces restructuring plan 2000 and the 1989 Bundeswehr plan during this period? And, what will you be focusing on this year?

[Answer] Since taking office, I have concentrated on the command responsibilities of the chief of staff and of course also on the new organizational pattern and the problems connected with it. On the basis of the decisions taken at the 23 February 1988 planning conference, it will be our job to work out the details of that plan and in particular to make sure we get what we need in terms of manpower and materials through negotiation.

My goal has not changed: I am looking for a balanced Army that can stand up to any threat and fulfill its mission—in the nineties as much as ever. There is a special need in this connection to improve the quality of military life as well as the attractiveness of the military profession. The present weaknesses in our peacetime posture must be remedied. The Army must raise its awareness of the increasing importance of the reserve component and seek to resolve this highly significant issue. The fact is that we must compete with industry, with the trades and crafts and the public sector in finding the skilled personnel we need. To do this, we will have to

come up with new ideas, e.g. on how to improve our training programs so that what we teach our servicemen will later be useful to them in civilian life.

[Question] I can still remember very well the press being told at Munster some time ago of the positive aspects of the then brand new Army Organizational Plan No. 4. Now, the word is that it was not what is was cracked up to be. Let me ask you therefore: what was good about that plan and what was not?

[Answer] It is a operation-oriented plan. Its specific strength lies in the fact that it calls for a quadripartite organizational pattern (1) which is of great advantage both for operation and command, e.g. reserves or point of main effort.

On the other hand, there is a discrepancy between the number of officers and the size of the formations. For budget reasons, we were unable to match the table of organization and equipment with the actual personnel roster—which Gen Hildebrandt, whom I hold in great esteem, wanted very much to do at that time. In words of one syllable, the officers and NCOs are always overburdened. We divide our 320,000-man army up into 12 divisions plus corps units, schools, etc. No other NATO army would think of doing that. Or, to make myself even clearer: since the fifties, we have been assigning 16 officers to our armored battalions of which perhaps 12 are really on the job at one time during any given year. Take the same type of battalion in the NVA of the GDR: it has 25 officers. The British have 43 officers. So, what we need is greater command density.

We have just as much of a problem with the NCOs. All too frequently these days, young and inexperienced NCOs are required to operate a sophisticated, high grade, modern weapon system like the Leopard-2 tank. They are supposed to take control of the weapon system, to motivate and train our draftees and they are paid no more than office messengers at the ministry.

That is why I am looking for sergeants to operate the Marders and Leopard-2s because they have more experience in the leadership and training of young soldiers.

[Question] As far as I know, the original idea was to let the new organizational plan was meant to be the result of an evolutionary process; but now it looks more like a revolution. The question I am about to ask may sound somewhat theoretical but what would the new plan have looked like, if the existing one had not run into difficulties because of the declining number of available draftees?

[Answer] Let me say first of all that the new plan indeed represents an evolutionary development. The transition from old to new will be evolutionary as well so as not to make life difficult for the troops.

The decline in the number of draftees is part of a demographic trend we can do nothing about. The only way to offset it is by restaffing at all levels of the field army.

In addition, we must do everything we can to eliminate the weak spots in peacetime service under Plan 4. In a sense, that task has nothing to do with the decline in available personnel; but it does make a solution more difficult.

If we did not have the personnel shortage to contend with, we might be able to retain Plan 4; but then we would have to make the personnel adjustments I already talked about. But our present budget would not have been big enough to permit us to do that. In other words, for budgetary reasons alone we would not have been able to retain Plan 4.

And finally, one simply has to take note of the fact that new developments in land warfare call for organizational modifications. These modifications are contained in the ground forces concept and the new 2000 plan makes it possible to implement them step by step.

[Question] Which aspects of the present and future threat had an impact on the new personnel structure and what was the impact of the use of modern technology on it?

[Answer] The potential threat has not changed, i.e. we still base our assumptions on an attack with very little warning time by a superior adversary in terms of numbers whose forces are increasingly invasion-capable thanks to continued, comprehensive modernization. For this reason, we must maintain an appropriate reaction capability and the ability to carry out mobile operations. Reconnaissance and combat in depth supported by operational firepower and interdiction constitute additional elements to help inhibit the planned commitment of enemy forces.

Modern technology provides us with the means of doing this. Let me merely mention the improvements in electronic warfare and long-range surveillance; efficient command systems, more accurate firepower even at long range and the near real time combination of all these elements. This is one of the focal points of my arms planning.

Another factor I might mention is that we are now able to conduct uninterrupted high-mobility operations. This results in the increased significance of our own operational capabilities. The new structural pattern takes account of this trend by calling for the creation of airmobile units at the corps level.

[Question] What are the strong points of the new structural pattern in your view, i.e. in what area do you expect to achieve greater combat effectiveness? And, what are the limitations? Do they only apply to the manpower levels?

[Answer] The new structure is meant to maintain the efficiency of our ground forces even as the personnel picture continues to worsen. In order to achieve this goal, we must improve our reinforcement potential in crisis situations as well as the quality of military life and the training programs for later use in civilian life.

The increase in combat effectiveness is achieved primarily by the airmobile large formations and the means for operational firepower. On the other hand, we are losing some of our tactical potential, e.g. the capability for unrestricted operational command in various types of combat of some brigades such as the infantry and security brigades. The Army definitely needs to invest more money if it is to resolve this problem which will be with us as of the mid-nineties. It must be our aim to optimize the effectiveness of all brigades to carry out forward operations, i.e. to maintain our present capabilities.

Because of our greater dependence on mobilization we need more time to prepare. As of this moment, I cannot really say exactly how long it takes. The tests we are starting just now ought to tell us. Without a doubt, however, the political pressure is getting heavier, i.e. the pressure on the politicians to come up with quicker decisions in crisis situations—because nothing has changed with regard to the capability of the East to mount an attack with very little preparation.

[Question] In the past, operational readiness was practically synonymous with forward defense. In those days, one used to talk in terms of 90-percent manpower levels; only the home defense brigades did not meet these requirements. By 1995, however, the field army brigades are supposed to operate at only 50-percent to 70-percent of strength. Will the loss of some 17,000 soldiers really make that much of a difference? And, how does the FRG compare in terms of future manpower levels with the rest of the alliance?

[Answer] In spite of the measures we have already introduced, e.g. lengthening compulsory military service to 18 months, the number of soldiers on active duty will decline by about 18,000 by 1995. The Army would therefore have to disband an entire division which is not a solution of course. The territorial army as well as the divisional and corps units are already seriously affected. Thus, the lack of personnel will hit the brigades most of all.

What is more, in contrast to the Navy and Air Force, the Army has always conducted its training programs in operational formations. In the Air Force, there is not a single aircraft that flies with draftees on board that are

undergoing training. Those are all long-term or professional soldiers—and the same goes for the Navy and its ships. We were the only ones who dealt with training differently and that has to change now. We will have to turn into an operational army, into a training army.

I will have to see about creating the command density I talked about on my own. I am going to do that by permanently staffing part of the heretofore operational units and redistributing the personnel I gain in the process.

In a word, the lower manpower levels are primarily the result of unalterable demographic trends. By 1995, the number of available draftees will decline by almost 150,000 men. The urgent need to improve the quality and attractiveness of military life calls for more personnel which we can only gain with the help of permanent staffing.

Let me make myself clear one more time: even at the expense of operational readiness we must take steps in the personnel area to enhance the attractiveness of military life by offering training programs to prepare our servicemen for jobs in civilian life. If we do not succeed in this effort, we will not get sufficient numbers of long-term servicemen (particularly NCOs) as we compete with the other professions in the light of the above-mentioned demographic trends.

Let me now respond to the second part of your question. The other members of the alliance have stationed only some elements of their armed forces in the FRG. For the most part, these units are well equipped both in terms of personnel and materiel and their manpower levels are about as high as those of the large formations of the German field army which are all earmarked for service under NATO. But large segments of the forces earmarked for the defense of Central Europe would only be available following mobilization or would have to be brought in by sea or by air. This applies in particular to the indispensable external reinforcement units. This brings up another important point; another explanation for the problems we have with the operational readiness of the field army. The absorption, forward transport, etc. of the abovementioned Allied units is the responsibility of the territorial army. But this is a job for which the territorial army is not sufficiently equipped, either in terms of personnel or materiel. That has to change. In this context one also has to see to it that all the territorial forces assigned to this task are fully available even before field army units move into their operational areas.

[Question] As the size of the territorial army is reduced, wouldn't it be a good idea to reintegrate it into the field army?

[Answer] I have just referred to the situation of the territorial army; but let me expand on that. The manpower levels of the territorial army do not need to be reduced; but its effective strength must be enhanced by

shifting some qualified personnel from the field army. That will make it far easier for the territorial army to fulfill its mission. At present, there is a wide discrepancy between the territorial army's mission and the means at its command to fulfill it.

The most important change in the organizational structure is the elimination of all the home defense brigades in the territorial army. This restricts us in engaging enemy mechanized units and calls for changes in the basic mission. Partial activation of home defense regiments and upgrading of the security forces protecting installations and facilities will result in improved security in rear areas.

A merger of the territorial army and the field army is not feasible as a matter of principle because in contrast to the field army the territorial army has a national mission, also in the corps areas of our allies. Because of its go-between function, it is also restricted to the civil administrative boundaries. The corps of the field army, on the other hand, must merely observe operational restrictions determined by NATO.

We will therefore retain the separation between the two armies. A merger was proposed a number of years ago but was rejected for various practical reasons at the corps/military district command level and at lower levels.

[Question] The Army is unhappy about the mere 20-percent of the budget earmarked for investments. Will that situation get better under the new organization plan which calls for lower manpower levels and presumably lower costs?

[Answer] After two budget cuts, the investment part of the budget presently stands at 20-percent while operating costs have remained the same. The experts, e.g. the members of the defense structure commission, say that it should be about 30 percent. This is one of the pivotal problems the Army faces and the new plan cannot solve it. First of all, lower manpower levels call for greater reliance on reservists. That is not an inexpensive way of going about things because reservists cost more than draftees. Even if we economize across the board, use simulators and so forth, we will merely manage to slow down the further rise in costs. But that will not get us the kind of investment budget we need.

In contrast to the demographic trends, the budgetary resources are a variable. The defense budget depends on political decisions.

[Question] In addition to classic elements of combat such as firepower and movement, the new plan very distinctly calls for interdiction. What took us so long? Another question: in the past, under Plan No. 3, we had

motorized infantry brigades. Now we have two security brigades once again with motorized infantry battalions and we also have infantry brigades. Isn't that similar to some extent to Plan No. 3?

[Answer] We are already taking advantage of the rapid development of technological means of interdicting movement, e.g. artillery mine missiles and antitank trajectory mines used by the engineers. Increasing sophistication, however, is bringing about changes in the quality and quantity of the interdiction potential. It opens up new ways for placement, cuts down on time requirements and enhances the effectiveness of the mines. Combat operations taking advantage of the means of interdiction thus supplement the classic elements of firepower and movement with particular reference to strengthening conventional forces.

As for the second part of your question, the only similarity to Plan No. 3 exists on the formation level. Three operational units with one or two heavy companies with organically integrated heavy weapons do the most justice to the requirements of infantry combat. By creating a large formation, i.e. the infantry brigade, the Army is opening up new possibilities. Company strength battle tanks are integrated organically into the battalion in addition to the heavy company. (2) Four infantry formations provide the brigade with a high level of infantry combat effectiveness; one engineer battalion provides the large formation with a high level of interdiction capability; its fire support compares favorably with that of the other brigades.

For budget reasons, the Army is not looking for more mechanization in creating the infantry brigades. The price paid for this is the abandonment of mobile operational command. These brigades are forced to rely on specific, defense-favorable terrain and to hold on to it. In other words, they are no longer equally suited for all types of combat but must be appropriately equipped for the abovementioned operations.

Security brigades are fundamentally different from the infantry brigades I mentioned earlier. The security brigades are made up of some five infantry battalions under one headquarters. Their job is to secure corps rear areas. That is why they do not include any combat support units and thus cannot be used in forward defense.

[Question] Another new feature of the 2000 plan is the creation of air mechanized brigades, i.e. more helicopters for combat operations. Does that mean the day of the battle tank on the battlefield is over and that no more such tanks will be purchased? Isn't there a need for more Leopard-2s so that the industrial capacity for the production of new vehicles like the Panther and the Marder-2 is assured as of the mid-nineties?

[Answer] Helicopters will not replace the battle tanks. In fact, armor and airmobile forces complement each other and thus reinforce each other's effectiveness. The combined strength of different weapon systems in combined arms combat will be just as important in the future as it is today.

The Army just does not have the money to buy any additional Leopard-2s. Maintenance and full use of industrial capacity is a question of military policy which obviously plays a role in our planning sessions.

The Army's overall goal, at any rate, is to achieve balance in its equipment inventory so that the "ground forces system" is able to meet all the challenges of modern combat.

In other words, unless we get a bigger budget, I can only buy more weapons of a particular kind—however much proof I can offer that we need them—if I cut out other systems which we need just as badly. But I will and I must stick to my objective, i.e. to build a "balanced ground forces system;" the widest ranging combination possible of intelligence (signal intelligence and information) and firepower.

[Question] The functions of the different branches of service were reordered at the meeting of the military leadership council in Waldbroel last summer. The army was made responsible for battlefield operations up to a depth of some 100 km. But to a large extent it does not yet have the weapons to carry out this task, does it? I am thinking in particular of long-range weapons and the commensurate target reconnaissance systems. Can anti-tank helicopters—even in large numbers—genuinely replace the close air support provided by the air force in this respect?

[Answer] The 100 km figure represents a demarcation line for planning purposes. It means that the Air Force will no longer plan for or purchase any weapon systems which have been optimized for close air support. The Army has plans for a number of reconnaissance and long-range fire systems which are intended to meet these needs, e.g. a medium artillery rocket system, a drone, a remotely piloted vehicle for target acquisition, etc. Once we get the PAH-2 antitank helicopters, they will take over from the present Alpha jets used by the Air Force. In addition to the PAH-2s, we will continue to use the existing PAH-1s and make them night operations capable.

But this is not to say that the Air Force will no longer support the army operations command in this regard as best it can.

As a matter of fact, we intend to continue improving collaboration between air and ground forces in combined operations wherever this can be done. The Waldbroel decisions are merely designed to eliminate duplication of efforts, i.e. to save on resources.

#### Footnotes

1. Four line battalions per brigade; four companies per battalion.

2. Company with mortars, etc.

09478

#### Major Ground Order of Battle Changes Reviewed 36200080a Bonn WEHRTECHNIK in German Apr 88 pp 49-55

[Article by Wolfgang Flume: "Ground Forces 2000—Forward Defense With Less Operational Readiness." First paragraph below contains summary of article.]

[Text] At a defense ministry planning conference on 23 February, Defense Minister Manfred Woerner approved both the Bundeswehr plan for 1989 and the new army order of battle. The major provisions of this order of battle 2000 are to be put into practice by 1995. The present 12 divisions will be retained but the army will focus more particularly on the special responsibilities and operational conditions of major formations and will also be structured and equipped in different ways. The level of operational readiness of the 42 brigades will be reduced to 50- to 70-percent. A new addition to the Army will be the establishment of two airmobile divisions and one mixed airmobile brigade which will include paratroopers and army aviation units. The new order of battle takes changing conditions as well as threat and technology developments into account, calling for 17,400 less troops, thus adapting the Army to future trends.

At a press conference following the meeting of his planning staff, Woerner specified four major areas which the new order of battle seeks to address:

—There will be fewer men of draft age by 1995. This will result in the loss of 17,400 active servicemen which the Army will have to offset.

—Known weaknesses of the existing Army Order of Battle No. 4 are to be ameliorated, e.g. the viability of operational units, their attractiveness (reflected in the need for more long-term personnel) as well as their mobilization potential in times of crisis and war.

—Improvement of conditions in the territorial army.

—Improvement in the training of reservists.

The reduction in the number of regular army personnel from currently 335,000 to some 318,000 makes it necessary to reduce the level of operational readiness, i.e. the regular army component, in the combat units of the brigades from the present 90-percent to between 50- and 70-percent. Other factors in the equation include the

steps being taken to upgrade the mobilization potential and the attractiveness in addition to the fact that the field army will be turning over some 3,000 men to the then smaller territorial army.

On the the other hand, reduced effective strength, i.e. the assignment of more draftees to the field army, is more honest and realistic than the present 90-percent figure. At this time, officers in training and servicemen about to be discharged and preparing for their civilian jobs are still counted as being on active service with their battalions, i.e. their number is added to existing manpower levels. Under the new plan, the number of special purpose and training slots will be increased so that these servicemen are no longer added to the manpower levels of their permanent units. In addition, some 15-percent more draftees are to be assigned to (the companies and/or batteries of) combat and combat support units to offset natural "attrition," e.g. by way of discharges and transfers, so that these units will still be at 100-percent of strength at the end of 18 months, i.e. the draftees will be added to the companies to bring them up to full strength.

The new plan also provides for the addition of a third officer to all armored units, armored infantry units, engineer units and artillery units at company level, i.e. these units will henceforth include one captain and two lieutenants. Another problem at the company level will be remedied by reinstituting the post of supply sergeant-/motor sergeant (377 slots) and of an additional sergeant for the battalion maintenance units (300 slots). The plan also calls for the creation of the post of company communications sergeant (500 slots).

Herewith some more innovations designed to enhance the viability of the units and their training programs, including those for reservists: The plan also meets a long-sought goal by creating 325 sergeant slots as deputy platoon leaders. This will enable the commanders of tanks and armored personnel carriers as well as gunners to become sergeants and thus retain that function for longer periods of time and that, in turn, will work to the advantage of the training programs for tank and gun crews. The additional cost of making these higher-ranking slots available is bound to be more than offset through savings in expenditures for maintenance and ammunition.

Overall, therefore, the plan provides for a greater number of commanders and NCOs in the active companies and battalions.

#### 42 Brigades

Leaving the airborne and mountain infantry brigades aside, the German field army only has armored brigades and armored infantry brigades at present. They are uniformly structured; their level of operational readiness stands at 90-percent. The new plan will dispense with



this "uniformity." Under its new task and operations-oriented structure, the army will have 10 types of brigades, all differently structured and equipped. Their operational readiness, too, will directly depend on the mission assigned to the large formation of which they are a part.

The number of divisions and operational/partially manned brigades has been retained, i.e. 36 as part of the field army and six home defense brigades of the fifties age group as part of the territorial army. This satisfies the German commitment to NATO and reflects the will to maintain a defense capability. The six fully manned home defense brigades of the sixties age group of the territorial army are being disbanded, however. But the 42 army brigades of the future will include the mixed Franco-German brigade to be established next October. Strictly speaking, the new plan thus calls for only 41 and 1/2 brigades. The Franco-German brigade will not be assigned to NATO, since France is not a part of NATO's integrated command structure. As a consequence, the Franco-German brigade will continue to be the only brigade assigned to the territorial army.

### Corps

The three German corps will also be retained—the two "big" corps, i.e. I Corps in Muenster and II Corps in Ulm and the "smaller" III corps in Koblenz. Neither the strength, nor the equipment of the corps units will be uniform. The corps units will be able to perform tactical and operational assignments, including combat in depth. For this purpose, the corps units will be provided with CL-289 reconnaissance drones and guided missiles systems (presently available only to division artillery units) and with attack drones as of the late nineties. The two larger corps will get one airmobile division and one security brigade each while III Corps will merely get a mixed airmobile brigade and a security regiment. In taking account of the growing significance of electronic warfare, corps capability in this regard will be enhanced.

### Divisions

Some of the division designations will be changed. The airborne division will become part of the two airmobile divisions. These airmobile divisions are composed of one attack helicopter brigade each (consisting of PAH-1 and PAH-2 antitank helicopters, BSH escort helicopters and VBH liaison helicopters), one airborne brigade and one regiment each of MTH medium transport helicopters and LTH light transport helicopters. The mountain infantry division will probably be retained (with a view to Bavarian concerns). There will also be changes in the makeup of the divisional units. Artillery reconnaissance, i.e. target acquisition resources, will be integrated directly into the firing units, e.g. the guided missile battalions; the engineer battalion will be used to perform combat functions to a greater extent and headquarters and communications units will be combined in one battalion.

### Brigades

The brigades will be tailored to their particular mission and operational area. The comparatively weak armored infantry component in the armored brigades will be augmented, thereby achieving balance as between armored units and armored infantry units at the battalion level. The Leopard-2 will become standard equipment in the armored brigades; the Leopard-1, upgraded in combat effectiveness, will become standard in the armored infantry brigades. The armored companies of the armored infantry battalions which are part of the infantry brigades will also get Leopard-1s. In this instance, however, the tanks will be used as a type of antitank combat vehicle. The tank destroyer companies of the armored brigades and armored infantry brigades will be getting Panther tank destroyers/antihelicopter armored vehicles to replace some of the Jaguars still in use.

In addition to the airmobile brigades, the new units include the infantry and security brigades.

The infantry brigades are somewhat similar to the motorized infantry brigades provided for under Army Organizational Plan No. 3. While armored infantry personnel may engage in combat either mounted or dismounted in conjunction with the armored units (where mounted these days means firing the 20 mm onboard cannon and the Milan from the Marder), these infantry units are to engage in combat only when dismounted. In contrast to the earlier motorized infantry units, however, they are to be provided with a 2-ton armored transport vehicle—perhaps the M-113 equipped with stronger armor or even the Marder 1, provided the armored infantry units get Marder 2s, as planned. This also presents an opportunity for the Puma. An engineer battalion will be assigned to the infantry brigades for the purpose of laying minefields. This is another way of saying that a great deal of significance for the future is being attached to combat using interdiction.

The security brigades will be assigned to securing the area and protecting facilities and installations in the rear areas of I and II Corps. The commanding officer of the security brigade will also serve as commanding officer of these areas. In the II Corps area, this mission is to be performed by a security regiment. The security brigades/regiments will be partially manned and are to be used in peacetime to train NCOs of all the service branches.

### Permanent Battalions and Replenishment Battalions

The requirements of their specific mission will decide on the effective strength of the brigades. In all likelihood, 15 of the 28 mechanized brigades will operate at 70-percent of authorized strength, i.e. three operational battalions.



The following procedure will be used to make the manned components of the brigades operational as quickly as possible: in a brigade consisting of two identical combat battalions only one, i.e. the permanent battalion, will be fully manned while the other, i.e. the replenishment battalion, will merely have 10-percent of permanent cadre. What is more, this permanent staff will in fact be part of the permanent battalion. In case of mobilization, the personnel of the active battalion will be divided up between the two combat battalions, i.e. reservists will be serving in both battalions.

This is an important aspect of the new "2000" plan, i.e. the training and use of reservists. In the future, draftees who have gone through their 18 months of training (as of 1 July 1989) will take part in training exercises with their permanent battalions and/or replenishment battalions attached to them. The purpose is to achieve greater cohesion and more of a connection to the soldier's own home region. "Reservists should feel at home there," Woerner said. "This is where their military home should be. If they continuously serve in one particular company and if the officers remain the same, that will help us master the reservist problem." NCO training should also take place in this type of setting, if at all possible.

Given reduced manpower levels in the future, the training of crews for the armored battalions for example will be reduced correspondingly. In other words, "production overruns" in this area will be curtailed and this, in turn, will cut down the need to train a good many members of the armored units for some other type of mobilization activity at the conclusion of their basic training. Reduced manpower levels will also lead to savings in operating costs. On the other hand, additional funds will be required to make service in the Bundeswehr more attractive, e.g. reenlistment premiums as of 1 July 1988, the projected enlistment premium and a more ambitious training and education program to enable long-term servicemen to prepare for civilian employment at the conclusion of their military service.

The plan is to have every unit take part in a mobilization exercise every 2 years. In view of the larger number of soldiers taking part in reserve training exercises, i.e. some 250,000 each year at some 8,000 to 10,000 exercise sites (as against 5,000 at present), and the standby readiness plans (particularly for command personnel), the peacetime strength of the German Army will increase slightly to about 344,000 of which 318,000 will be servicemen on active duty plus 26,000 reserve duty trainees and/or personnel in standby readiness. Wartime strength of the Army remains unchanged at some 1.1 million men, including about 95,000 assigned to WHNS duties.

#### **Territorial Army**

The territorial army will no longer be required to perform the functions assigned to the home defense brigade as part of forward defense plans. As a consequence, it

will be able to concentrate on the protection of the rear areas of all NATO units located in the FRG. Once all of the home defense brigades have been disbanded—the partially manned brigades will be integrated into the field army—the present 15 home defense regiments (which merely serve as equipment units) will be partially activated, i.e. one of the three motorized infantry battalions of each regiment. The transfer of some 3,000 skilled positions from the field army to the territorial army should enable the territorial army to better fulfill its mission in peacetime, in crisis situations and in case of mobilization. At this time, only 8-percent of territorial army personnel are on active duty.

#### **Organizational Experiments**

Starting this year, some critical new elements of the Army Organization Plan 2000 will be tested in four different ways.

One test will involve staffing and rapid replenishment according to the division principle. A second test will examine air mobility in several sectors. Thirdly, tests will be conducted with the new headquarters/communications battalions at corps and division level (formed by combining the present headquarters company and the communications battalion) with a view to improving command and communications functions by means of integration and rationalization. Fourth, tests will be conducted with the infantry brigades.

#### **Improvements Are Fine, but...**

At his press conference, Defense Minister Woerner appeared pleased with the new organization plan. "The plan is what I hoped it would be. To a very large extent, it combines flexibility and the capability of rapid replenishment in times of crisis. It integrates our reservists far more than heretofore into our forward defense posture. It will provide for markedly more survivable units than before. The units will boast greater command density in peacetime and this will enable us to present our long-term servicemen with an attractive training program oriented toward civilian jobs in the future."

Of the 42 brigades, 28 will be mechanized. Seven of the brigades, i.e. the five infantry brigades, the mountain infantry brigade and the German component of the Franco-German brigade, will be optimized in terms of barrier capability. The two security brigades and the five airmobile brigades are earmarked for operational missions at points of main effort.

To be sure, the Army does not increase in size and will surely be unable to keep pace in every regard with the undiminished conventional buildup by the Warsaw Pact—notwithstanding the fine-sounding rhetoric of the East.

A sizable part of the field army will be operational only after the mobilization order has been given and that will not happen in the space of 48 hours. Preparations must start earlier than that; but since mobilization is a political decision and the defense minister is authorized to call up only those troops which are in a state of standby readiness, the politicians' hands are tied to a greater extent than heretofore. In any event, however, the mobilization units will be better trained under the new plan than they are at present.

Although supplementary budget funds (mostly for the army) amounting to some DM2.4 billion over the next 4 years are sure to be approved, the funding problem still is critical. At 20-percent, the investment component of the army budget is far too low; it should really be 30-percent. It is doubtful that it can be increased because competition with industry will make the personnel budget rise. After all, the potential number of long-term servicemen depends to a great extent on the pay they receive and the older our combat vehicles get (the first model of the Leopard-1, for example, went into production in 1963), the higher operational costs will be. Although the Army could accommodate more than the 2,050 Leopard-2s which have already been ordered, the 1989 Bundeswehr budget contains no provision to purchase any. Even if a mere 100 of the new Marder 2 or Panther combat vehicles were built each year as part of a barely economical production schedule, the annual price tag would still be some DM 500 million. In view of its inadequate investment budget the army simply could not pay for such big ticket items unless it were willing to forgo other projects. If the financial situation improves, the chief of staff hopes to raise the level of mechanization of the non-mechanized brigades included under the new structural plan.

"We will try for balanced development of our antitank forces, our striking power, our air mobility, our barrier capability and our artillery component," Woerner said. "I am quite sure that we will be able to improve quality with the help of better materials but I am equally aware of the fact that our shortage of funds will make things difficult."

Thus, the hope remains that the army, as part of the Bundeswehr, will have enough money and enough fighting men in the years to come. But both of these things depend to a large extent on the will of the political leadership. If it should become more and more difficult to convince the young generation of the need for a defense establishment, the Army may lack more than 17,400 army servicemen and that, in turn, would lead to even lower levels in effective strength.

09478

## GREECE

### **PYRKAL Reportedly Loses Manufacturing Contract**

35210079b Athens RIZOSPASTIS in Greek  
12 Mar 88 p 7

[Text] New Governmental Scandal at PYRKAL. The government has for the second time caused a major scandal at PYRKAL [arms and munitions company]. According to confirmed reports, the Greek weapons industry, with the concurrence of the deputy minister for national defense, Stathis Giota, gave to an Italian firm an order worth several billion drachmas which was originally intended for PYRKAL. The order is for the production of metal parts for 8-inch shells which were originally planned and scheduled for production by PYRKAL.

It is worth noting that this scandal is the second one to erupt at PYRKAL. The first scandal erupted with the Greek weapons industry ordered from the Italian firm Bertoldo a supply of 200,000 rounds of 155 millimeter "Hermes" ammunition—a quantity that PYRKAL could have supplied. This grave scandal leaves the government totally exposed, particularly now that it promises, through the deputy ministry for industry K. Papanagiotis (on the occasion of yesterday's installation of PYRKAL's new president, retired General G. Koumanakos) that it will increase the orders from the armed forces given to PYRKAL. Not only are they not doing so, on the contrary they are contributing to the company's progressive disruption.

/9274

### **Poor Results Reported From Mirage Aircraft Purchase Offsets**

35210079a Athens I KATHIMERINI in Greek  
22 Mar 88 pp 1, 10

[Text] Greece Gets Its First 4 Mirage 2000's: Apparent Dissatisfaction About Offsets. Bordeaux. Yesterday the Greek Air Force received the first four of the 40 Mirage 2000's which Greece had ordered from the French aircraft manufacturer Marcel Dassault. These four new military aircraft, which now they must outfit with special equipment, will arrive in Greece (with French pilots and an intermediate in-flight refueling) around the end of April to strengthen the base at Tanagra.

The formalities for delivery of these first four Mirage 2000's took place yesterday at Dassault's central factory at Bordeaux's Merignac Airport, in southwest France. The Greeks had wanted the formalities to be "low-key": the political leadership of the Defense Ministry did not make the trip (Mr Kharalambopoulos preferred to send a personal letter of regret) and the Greek ambassador in Paris, Mr Mitsopoulos, was his replacement. The head of the Air Force General Staff also did not make the trip; only his deputy, Mr Stavrakakis, came.

The official reason: the "offsets," the level of which to date—that is, during the first three years of the contract—does not appear to satisfy the Greek Government, which reckons them at about 20 percent of the contractual commitments of the French partnership, both in regard to the highly beneficial transfer of technology and the production capacity brought to Greece and the impetus to Greek exports and Greek tourism.

Mr Serge Dassault, both in his speech and immediately afterward in an interview with journalists, acknowledged that the program of "offsets" has not been completed. He estimated, however, that 40 to 50 percent of the total goal, has been reached, while the timetable for the initial term of effectiveness of other contracts is still current.

The French manufacturer, of course, admits the delay. He emphasizes, however, that the explanation includes two main reason: entrusting the Greek aircraft industry with the construction of further parts of the Mirage depends upon the general strength of sales, which have not gone as well as originally expected, and upon the capacity of Greek industry to "adapt to new methods of production, to acquire the means of production, and to train the necessary personnel."

Mr Dassault did not conceal that it will be difficult now to withdraw from his own factories work which allows them to continue operations at a time when work hours and production have been curtailed in order to meet the new conditions. He said, however, that the contractual obligations of the French side would be met and that everything possible had already been done toward this end. Mr Dassault especially stressed the efforts to promote Greek products abroad (a special company has been created for this purpose) but he asked to be accorded some time, not without first stressing that "other manufacturers"—he referred specifically to contracts of American companies with France—"have broken their word."

Mr Dassault let it be understood, in talking with reporters, that his company may expand its collaboration with Greece, entrusting orders to the Greek Aircraft Industry for other types of aircraft which they produce. Meanwhile the representative of the French Ministry of Defense emphasized that the French Government "will do everything to ensure completion of the program."

The acting minister for national defense, Mr Stathis Giotas, will give a reply in Parliament today concerning the latest information about the cost of the Mirage 2000's. According to this information, the French Government offered the Swiss 40 Mirage 2000's for \$22.5 million dollars each, while the PASOK government had agreed under the 1985 contract to purchase 40 planes at \$40.5 million each.

## PORTUGAL

### Reduction of Arms Exports to Iran Seen Endangering Industry

35420065 Lisbon O JORNAL in Portuguese  
18 Mar 88 p 17

[Article by Nuno Ribeiro]

[Excerpts] As a result of a few scandals and of less than favorable news printed in foreign media about the authorities in Lisbon, the Portuguese government decided to restrict the sale of arms to Iran. Thus, direct orders or sham operations from the Portuguese arms industry's main client will be affected. One order valued at \$10 million has already been denied.

According to what we have learned, toward the end of 1987 Eurico de Melo did not authorize a request to have Iranian frigates repaired at the SETENAVE shipyards. In January of this year, a two year contract valued at 10 million contos was also denied by the defense minister.

The Cavaco Silva government's change of position (which the defense and foreign ministers had a significant role in defining) is presented as a consequence of the position taken by Portugal in supporting the United Nations Security Council resolution 598 on 20 July 1987. The UN decision, which received a favorable vote from one of the belligerents (Iraq) and was rejected by Tehran, establishes the creation of a cease fire and asks that all nations act in concert to avoid a continuation and widening of the conflict.

The fact that three times state owned firms appeared to be involved in sham operations aimed at selling arms to Iran (Spanish connection, the Luchaire case, and one other episode carried out by two foreign firms—a Dutch and a British firm and the SPEL) may have also been one of the reasons for the change in the government's position.

If in the first case the scandal was only discussed in the press, in the second, French, British and Dutch authorities carried out investigations during which two officials from the Dutch Economic Control Service came to Lisbon as O JORNAL reported in a previous edition.

### Cool Relations Between Lisbon and Tehran

Portuguese authorities were being confronted with a situation that involved state controlled firms directly. At the same time, the growing number of direct sales to Iran were drastically reducing the government's margin of response because, as the management from the firms involved underscored to O JORNAL, the operations were legal. Those managers thus pointed out the existence of the required government authorization which, for government owned firms, it would be unthinkable that they did not exist.

Also, if Portuguese sales were not decisive in tipping the military balance in the Gulf, the constant references to Portugal are naturally inconvenient. Meanwhile, it was with disconcerting irony that Iran became a steady partner in our trade relations even though Ambassador Mozafari, Tehran's representative in Lisbon, has never been received by the Portuguese foreign minister. "He was only received at the ministry's general secretary level," commented a company source.

### **There Is No Lobby, There Is Independence**

In contrast to the coolness in political relations between Lisbon and Tehran, political and diplomatic contacts with Iraq are more regular yet the volume of trade is incommensurably less.

"There were more trips by deputies to Iraq than trade," said a businessman ironically while reminding us that "the mixed Portugal-Iraq commission did not even meet once."

To some observers an Iraqi lobby has recently been formed in Portugal. Deputy Angelo Correia categorically denies such a fact. "There is no Iraqi lobby. However, we have to defend our interests and preserve an independent Portuguese position," he told O JORNAL.

### **Positive Balance of Trade With Iran**

Nevertheless, the change in the Portuguese position raises some questions concerning the arms industry in Portugal faced as they are with great cutbacks in credit, lack of markets and a product that is technologically backward.

Sectors connected with the arms industry feel the government decision will have negative effects on their firms which are currently dependent upon supplying military materiel to Tehran.

Four out of the five firms involved in that type of production have been surviving thanks to the munitions sent to the land of the ayatollahs. On the other hand, only the National Metalworking Company (COMETNA) continued to maintain trade links with Iraq. But even in this instance, Iraq's payment terms, at two years, were decisive in breaking the supply link of bombs to Baghdad. Furthermore, "it is unthinkable that the industry will survive on orders from the Portuguese Armed Forces", states a technician. "In January the Armed Forces bought materiel from INDEP but in February the firm had to turn to the treasury."

The trade figures reflect this reality. Iran appears holds 14th place on the list of markets for Portuguese exports. These were valued at 3.5 million contos and were shipped between January and June of 1987. Iraq ranks

only 21st. For this same period, Portugal had a positive trade balance of 3.4 million contos with Tehran. It had approximately a 7 million conto negative trade balance with Iraq.

The main factor behind this positive trade balance was the sale of munitions to the Iranians. In 1986 they were our main buyers. Their orders totalled 3.6 million contos.

Thus, industry sources contacted by O JORNAL underscored that without a restructuring plan, the cut in sales to Iran will hasten the fall of their firms and put in question an industry that now employs approximately 5,000 workers.

While adding that the announced restructuring of the national defense industries will only be known, in the best circumstances, sometime in the middle of 1988, the same sources stress the necessity for having a few years and high levels of monetary support for the new government proposed model to go into effect.

The suggestion made by some technicians and businessmen to sell to both sides so as to compensate for the loss of the Iranian materiel comes up against the traditional Iraqi difficulty in paying, as economic circles pointed out to O JORNAL.

On the other hand, an industry technician added that a great deal of the materiel used by Iraq in the conflict comes from the Eastern bloc and France for which Portugal does not produce munitions. "After struggling with a shortage of materiel, the Iraqis recently developed their own industry," they stressed as they showed little optimism on selling to both sides.

From a political and diplomatic point of view, by the government referring to UN resolution 598 as the principle behind its action, it could hardly sanction such a course even though the idea of a military embargo against those countries that did not respect the Security Council decision had been put off.

09935

**Defense Industry Needs Multifaceted Cooperation**  
*35420071 Lisbon O JORNAL in Portuguese*  
*8 Apr 88 p 9*

[Article by Nuno Ribeiro: "INDEP Moving to Southern Sector"]

[Text] The reorganization of the national defense industries, which the state controls directly or indirectly, will involve a move for the National Defense Industries Public Enterprise (INDEP) to the southern sector. Its purpose will be to open up the sector to private business.

The INDEP, which oversees the factories in Barcarena, Braco de Prata and Moscovide, with a labor force of 2,300 workers, is a key point in the reorganization promised by the government. "The fact that this is intensive and for the most part elderly manpower, which poses problems of vocational retraining and makes the necessary industrial modernization still more difficult," an expert told O JORNAL.

Only in this way, this technician said, can the present situation at that enterprise, which involves economic difficulties, be reversed. Even in the early days of April, the March wages had not been paid.

"On the other hand," this same source went on, "the INDEP has too many installations located practically in the heart of the city, as is the case in Braco de Prata, where the facilities needed by the factory are totally lacking."

The hypothesis foreseen by this technician, therefore, is the sale of some of the premises on land with a high urban value (to some extent already announced by the government), with subsequent construction of new installations in the southern sector.

This choice is not an arbitrary one, but is rather dictated by operational requirements. "It is on the southern boundary that the supply enterprises, the Portuguese Explosives Company (SPEL) and Trafaria Explosives (Extra) are located, giving the entire area the benefit of good road structures, ports and railroads," he said in conclusion.

#### New Products PLanned

Among the experts with whom O JORNAL talked, it is generally believed that the reorganization scheme for the national defense industries, if it is to be successful, must include plans for very extensive technical and scientific collaboration in the future.

"It is necessary to make use of the existing capacity," said one technician who has voiced his opinions to us frequently. This individual spoke in particular of collaboration with the research centers at the universities, laboratories and private businesses in the "third industrial wave," with special emphasis on those working in the telecommunications sector.

"Cooperation between these bodies and the business enterprises must occur within the framework of NATO and the Independent Planning Group (IEPG)," he noted, stressing the validity of the option with regard to one of the few cases of success for our national technology. "The instruments on board the Epsilons, the French training planes recently purchased, are manufactured in Portugal."

Similarly, the new products to be manufactured in our domestic plants as soon as their foreign markets are assured would further contribute to the necessary modernization of the equipment of the Portuguese Armed Forces. This orientation will make its effects felt in such various fields as munitions (antiaircraft and antivehicle, flares and smoke bombs), rocket engines, and the use of laser beams or detonators which can be activated by means of an infrared or radar system, rather than depending on impact.

Technicians who have discussed the major guidelines for the reorganization of our national defense industries have told O JORNAL that it will also be necessary to revise Law 46/77, known as the Sectorial Law. "In returning the monopoly on the weapons sector to the state or the state industries, this legislation created difficulties," they explained.

The opening up to private enterprise effected by internationalizing capital, with the attraction of the low domestic cost of labor, is, therefore, deemed the basic factor in reorganization. "Only in this way will we be able to free ourselves from dependence on the production of outdated war materiel and to import new technology, both military and civilian," this same expert concluded.

This is the proper solution in the view of Jose Lello, a socialist deputy who is a member of the parliamentary defense commission, but he has some reservations. "Internationalization of capital, yes, but provided that the majority control is domestic," he says. And he emphasizes that "The fact that a sector is strategic does not mean that it must necessarily have state status."

5157

#### SWEDEN

##### Paper Comments on Soviet's Denial of Submarine Intrusions

36500091 Stockholm DAGENS NYHETER in Swedish  
6 Apr 88 p 2

[Text] In a circular article, reprinted in several Swedish newspapers, Vladimir Zagvozkin recommends that readers should allow "the submarine issue to surface and give it its correct proportions." Not unexpectedly, in this connection, the chief of the Stockholm office of the Soviet news agency APN speaks of "the erroneous assumption that the Soviet Union should be behind the alleged submarine incursions."

For his part, Zagvozkin wants to "add" a speculation "of his own" that after the U-137 ran aground in the Karlskrona archipelago NATO found it natural to undertake "measures in order to blame additional serious crimes on the already 'exposed' intruder." But this possibility does not seem to worry him unduly—it is in line with what we are used to from the Soviet side.

The starting point is the DAGENS NYHETER submarine articles on the front page in early March. Zagvozhkin refers primarily to the description of the Palme administration's problem, when the Antisubmarine Warfare Commission in the spring of 1983 presented its evaluation of what had happened in Harsfjarden the previous fall.

If Swedish doubts about the underwater threat had appeared earlier, much of what muddled the good Soviet-Swedish relations could have been avoided, writes Zagvozhkin, as if the troubles were now cleared up. But the discussion about both the Harsfjarden material and subsequent Swedish analyses do not in any way free the Soviet Union from all suspicion. The debate involves the difficulties of evaluating the extent of the chains of evidence regarding certain foreign policy measures.

In the spring of 1983 the Palme administration's problem concerned whether the report of the Antisubmarine Warfare Commission actually provided the material for a diplomatic action against the Soviets. The question of judging the superpower or declaring it innocent was never posed.

The Soviets may hope what they want. As long as the Swedish government and directly affected authorities establish that violations of our waters occur, no muddled relations have become clear.

11949

#### **Air Force Staff Chief on Effects of Tight Defense Budgets**

36500088 Stockholm DAGENS NYHETER in Swedish  
26 Mar 88 p 19

[Article by Anders Ohman: "More Draken Aircraft to Scania"]

[Text] Ljungbyhed—A division of J-35 Drakens must be added to the Scanian F-10 air wing in Angelholm, if the Air Force is to meet its peacetime readiness obligations in southern Sweden. A fourth Draken division will help the Air Force as a whole reach a "minimum operational level."

This was what the chief of "Sector South," Brig Gen Rolf Clementson, said during a 2-day mass media meeting on the current situation in the Air Force. The conference was held at the F-5 Air Force Training School at Ljungbyhed.

The intense military training activity in the southern Baltic Sea is one of the arguments in favor of a fourth Draken division for F-10. The military presence from East and West has become more pronounced in recent years, and the Air Force is not capable of maintaining incident preparedness around the clock.

The J-35 Draken is an aircraft which will last until the end of the 1990's. The Draken planes in question for F-5's fourth division already exist within the wartime organization of the Air Force. The extra division will cost 40 million kronor per year.

#### **High Quality**

The current threat picture, lack of personnel, criticism of the decision about a Swedish missile for JAS-39 Gripen—those were some of the items on the Air Force's agenda.

The Chief of the Air Staff, Maj Gen Bert Stenfeldt, stressed that the Swedish Air Force is of high quality, but the quantity is so insufficient that the Air Force is down to an "operational minimum."

"At the same time as the major blocs have gradually increased their combat capability in the close-in area of Sweden, we have been forced to halve the number of units in the Air Force in order to maintain the necessary qualitative standard," Bert Stenfeldt said.

On an international scale, the standard of Air Force materiel, training and personnel is very high.

#### **Worrying Signals**

Several signals in the threat picture worry the Air Force. NATO has built several air bases in the close-in area. Their function is to receive quick reinforcements for aerial combat forces in Norway and Denmark.

Within the Warsaw Pact the quality and quantity of planes has increased. More than 1,000 aircraft are based in the east. The attack capability of Soviet aircraft has increased. The new MiG-29 Fulcrum and Su-24 Fencer aircraft are examples of aircraft which cover Sweden from peacetime bases within the East bloc.

Cruise missiles are another threat. NATO has its Tomahawk and the Soviet Union its AS-15, which in a wartime situation would be involved in Swedish airspace.

There is a great deal of signal reconnaissance activity in the southern Baltic; the U.S. SR-71-A Blackbird passes through the eye of the needle of international airspace between Oland and Gotland at 23,000 m altitude. The aircraft is a training target for the A-37 Viggen, whose Skyflash missiles are supposed to be able to operate at these high altitudes.

The Air Force has about 300 incidents annually in the air. Most are by mistake. About 25 somewhat more serious incursions take place, in which the Air Force must give the intruder "a slap on the wrist" in order for Sweden to retain its security-political credibility.

### Golden Boys

This year's first crop of 18 pilots passed their exams and received their golden wings with military pomp and circumstance. Each new pilot is worth his weight in gold to the Air Force. It costs approximately 10 million kronor to complete the training of a Viggen pilot for the wartime organization. If he quits and goes to a civilian airline, the loss is great. The pilots must be treated as a key group outside the regular wage negotiations, in Brig Gen Rolf Clementson's opinion.

"It is a strange result for Swedish security policy that millions are invested in materiel and training, but pilot salaries are left to the casual process represented by the wage negotiations in the labor market. This is an untenable situation," said the chief of Sector South, who was very critical of it.

### Expensive Air-to-Air Missile

Air Staff Chief Bert Stenfeldt said that the most recent defense decision in 1987 meant a small weakening of the Air Force. There is risk that the orientation of the

decision toward acquisition of a Swedish air-to-air missile for JAS-39 Gripen will become too expensive. The decision about a new air-to-air missile will cost 3.6 billion kronor by the year 1997. It is cheaper to buy a foreign air-to-air missile and release the earmarked money for other investments.

According to the time schedule, the Air Force's new JAS-39 Gripen is to be test flown before the summer holiday this year. The guidance system is being carefully tested. It appears that the JAS-39-B, a two-seater, is becoming too expensive. Other systems are being studied. Efforts to export this two-seater JAS version are threatened.

The first of the 10 new, heavy helicopters from France, which are to replace the Vertol helicopter, will be delivered in April.

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## BELGIUM

### Flanders' Economic Dominance Given in Figures

36190006 [Editorial Report] In a 1000-word article published in Brussels LE VIF/L'EXPRESS in French 4/10 March 88 pp 14-15 on Flemish domination of the Belgian economy, author Jacques Gevers gives the following statistics. Territory: Flanders 44.3 percent, Wallonia 55.2 percent, Brussels 0.5 percent. Population (1986): Flanders 57.6 percent, Wallonia 32.5 percent, Brussels 9.9 percent. Gross domestic product (1984): Flanders 57.9 percent, Wallonia 26.9 percent, Brussels 15.2 percent. Average annual growth of gross domestic product from 1982 to 1984: Flanders 1.6 percent, Wallonia 0.9 percent, Brussels minus 0.9 percent. Net taxable income of individuals (1986): Flanders 57.9 percent, Wallonia 31.5 percent, Brussels 10.6 percent. Employment (according to place of residence): Flanders 61.9 percent, Wallonia 28.9 percent, Brussels 9.2 percent. Salaried employment (according to place of work): Flanders 54.3 percent, Wallonia 26.5 percent, Brussels 19.2 percent. Unemployment rate in Jan 88 (in percentage of population with unemployment insurance): Flanders 14.0 percent, Wallonia 22.4 percent, Brussels 17.7 percent. Industrial exports in 1983: Flanders 72.8 percent, Wallonia 22.1 percent, Brussels 5.1 percent. Housing construction begun in 1986: Flanders 77.9 percent, Wallonia 19.1 percent, Brussels 3.0 percent.

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## DENMARK

### Industry Experiencing Unexpected Boom in Exports

36130049a Copenhagen BERLINGSKE TIDENDE  
in Danish 16 Mar 88 p 1

[Article by Berit Andersen and Jens Chr. Hansen]

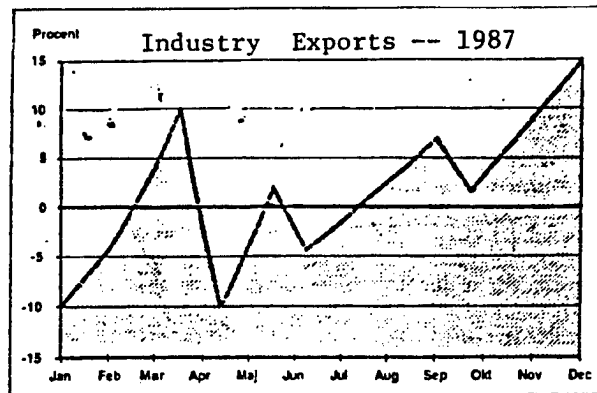
[Text] Currently the industry is experiencing an extensive increase in exports. At the same time, the iron industry can note a definite boom in the increase of number of orders. This results in far brighter employment prospects in 1988 than previously expected.

All projections about 1988 being a real crisis year for Danish industry now seem to have to be put to shame.

During the last four months of 1987, the quantity of exported goods has risen by 7.6 percent compared with the same period the year before.

That is amazingly high when viewed in light of the disappointing export figures which the export industry showed for the first part of 1987.

It is also a surprisingly high figure when looking at the trade balance figure for export in kroner and orer. They have not shown the same increase.



The figures show how many more goods industry exported in 1987 compared with 1986. The rise in March is attributed to special conditions around Easter.

This positive development has taken both economists and the industry itself by surprise.

Jeppe Christiansen of the Wage Earners Cost of Living fund says:

"With the additional export stimulating initiative, which the Christmas package and the employers' tax readjustment involves, there is real reason to be optimistic about 1988. Also because the weakening of the krone brings along more competitive Danish industries." The iron industry is the sector that experiences the greatest progress. With respect to new export orders, there is a definite boom. From the fourth quarter of 1986 to the fourth quarter of 1987, the increase in orders has risen by 6.5 percent.

Iron Employers Association's Statistic Department's Jan Storm Thomsen says:

"All dismal projections about a considerably lower employment level in 1988 seem to have been put to shame. We can expect a powerful halt in unemployment and probably an increase in employment."

Deputy Director Jorgen Hansen of the Industrial Council also thinks that there is in general good reason to believe in greater progress in industry "than the recent whining and discord provided to promote foundation for fertile growth."

"The signals we have received indicate that we will succeed in halting the downturn, and therefore there is reason to be optimistic—also with respect to employment."

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### Drop in Consumer Consumption Expected To Continue in 1988

36130049c Copenhagen BERLINGSKE TIDENDE  
in Danish 28 Mar 88 Sec II p 4

[Article by Vogg Lowe Nielsen and Kristian Hjulsager:  
"Trade Conditions Service: Drop in Consumption Continues"]

[Text] Private consumption dropped in 1987 by 1-2 percent calculated in quantity. The decline covers a considerable change in the composition.

So far, there is no official figure available from the Danish Bureau of Statistics for the 1987 consumption, neither a total figure or figures for subgroups. On the other hand, the most important consumption indicators are available for the whole year 1987:

The drop in the number of new cars was 45,000, which corresponds to a 27 percent drop. Correspondingly, the retail turnover index shows a drop in quantity for both clothes (5 percent) and for "other goods," mainly durable goods (5 percent), while the sale of "necessities," foodstuff and consumable goods, was mostly unchanged. The sale of vacation trips, however, remained in full force with an increase of 9 percent in numbers and 13 percent in value.

#### Expectations

If the results of the so-called consumer reliance index is to be believed, there will be no growth in consumption during the first part of 1988. This index is compiled by combining the responses from five of the questions in Denmark's Statistical Bureau's consumer expectation survey. The questions are about the households' view on their own and the country's economy now and 1 year from now and experience has shown that the combined answers give a good indication for the consumption development of durable goods, in particular, in the coming months.

As the index of the recent months has been extremely low, the indexes for December, January and February were even lower than the year before, when the potato diet shock [tax reform] had entered the picture, the sale expectations are poor for the first half of 1988, for example, yard goods and private cars.

With regard to private cars, this is supported by the figures for February which were 20 percent lower than the year before.

#### Travel

The increase in the sale of vacation trips does not seem to stop. The table shows the development from 1985, and for 1987 it shows that the increase was greater in the third and fourth quarters than in the first part of the year. The figures for 1987 correspond to almost 30

	1985	1986	1987
Antal (1000)	1160	1346	1470
Værdi (mill. kr.)	2870	3387	3825

#### SALE OF VACATION TRIPS

Antal = Number

Værdi = Value (in million kroner)

percent of the population buying a vacation trip during the year. The character of the trips also changes considerably during these years. The number of airline trips increased from 63 percent in 1985 to 69 percent in 1987, while bus tours became relatively fewer (dropped from 24 to 17 percent). The figure for train and ship travel was almost unchanged.

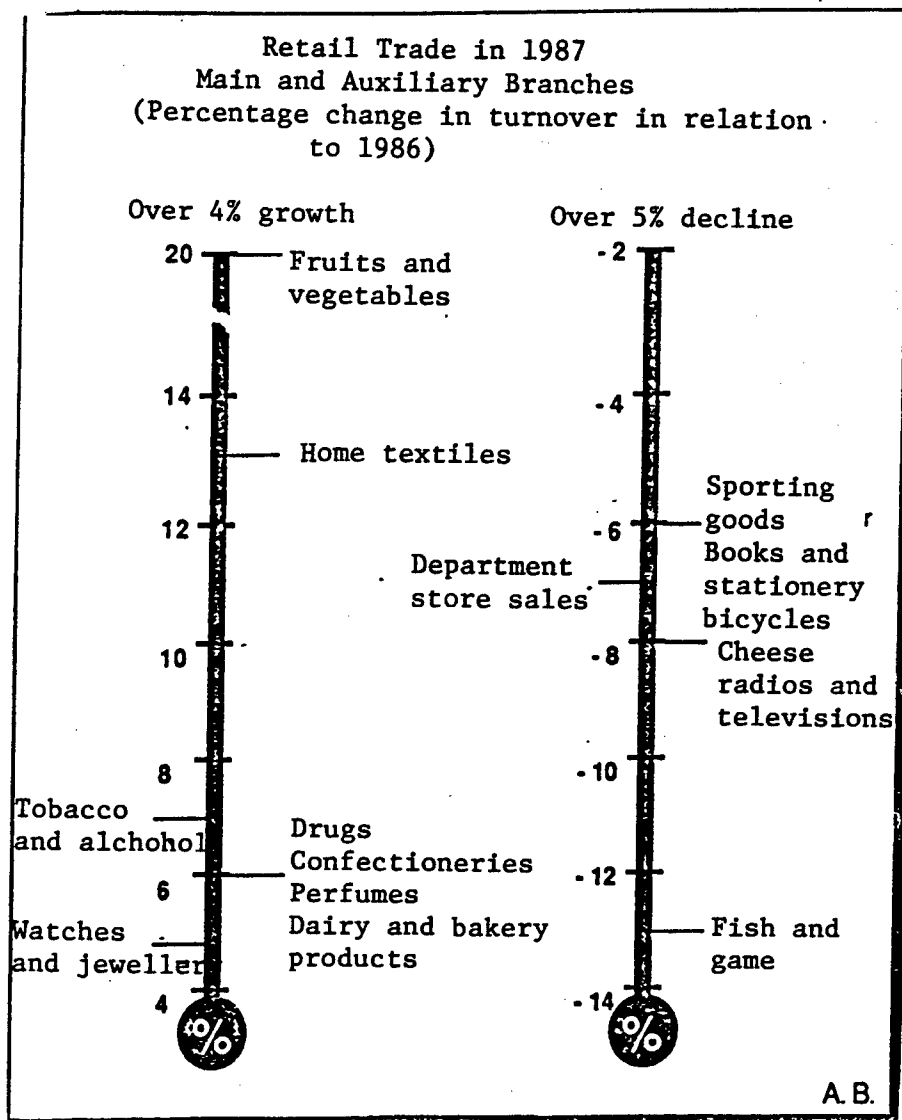
#### Retail Turnover

While the total retail turnover for 1987 only grew by 0.5 percent (6 percent the previous year) in current prices, the quantity dropped by 1.7 percent.

The graph shows the retail trade branches that enjoyed the relatively greatest growth and greatest decline in the turnover in current 1987 prices.

The greatest growth was in the in the fruits and vegetables branches and home textiles; the growth for the first mentioned branches might perhaps be attributed to the great success the more exotic fruit and vegetables have enjoyed of late and for the second mentioned, the discount stores similar to "Jutland bedclothes sales."

The greatest decline was among speciality stores selling fish, game and cheese, which in part is a continuation of last year's development. In addition, there was also decline in branches selling radios/televisions; books and stationery; bicycles and sporting goods which had all done very well the year before and that typically follows the market conditions in consumption.



The total retail turnover grew by  $\frac{1}{2}$  pct. in current prices and fell by 1.7 pct. in fixed prices. The column for growth branches shows those branches which grew more than the 4 pct. inflation rate.

#### Rate of Consumer Goods Imports Drops

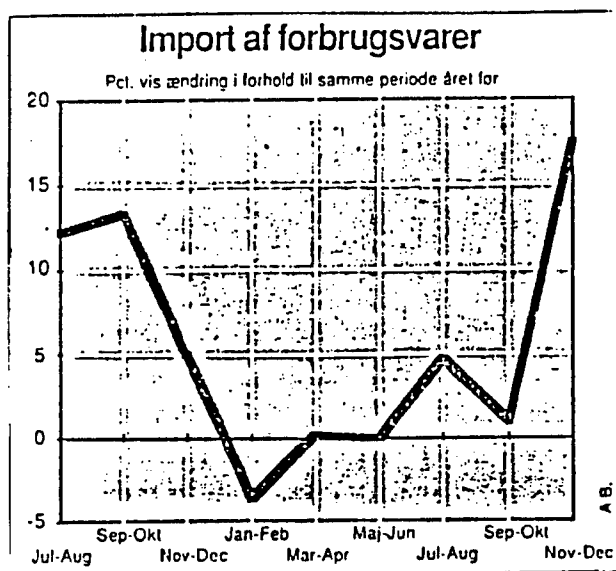
The growth in the import of consumer goods has dropped markedly. Where the growth in quantity for 1986 was assessed at well over 15 percent, the growth for 1987 was less than 7 percent.

There is no doubt that the marked halt in the domestic demand in the form of declining consumption and a direct drop in investments is visible in the foreign trade figures. But the sharp decline in imports of consumer goods, of which there were clear signs around the turn of the year 1986/87, has unfortunately not proven to continue.

Calculated on an annual basis, the import value rose by well over 3 percent in 1987 in current prices for goods for direct consumption in contrast to almost 13 percent growth in 1986. But behind this development in the 1987 import value is a drop in the price level of 3-4 percent and a rise in the quantity of imports of almost 7 percent. Looking only at the second half of the year 1987, the imports rose by well over 10 percent in relation to the year before.

The accompanying graph shows the rise in import value of consumer goods in percentage based on two months for the second half of the year 1986 and 1987 in relation to the corresponding periods the year before.

Imports of Consumer Goods  
(Percentage change in relation  
to same period previous year)



The import value of consumer goods rose in 1987 by 3 %, in contrast to a 13 % rise for 1986. However, for the second half of 1987 there was a full 7 % increase.

During the last months of 1986 there was a clear drop in the growth. This development continued through the first half of 1987 with a direct drop in the absolute import value during the first months, but during the second half of 1987 there was development with characteristics of growth. November-December was 17 percent above the level for the same period the year before. The concrete import figures for the first months of the current year are still not available from Denmark's Statistical Bureau, but there are many indications of continued high import figures, although the figures for November and December are considerably above the general level.

The disposable income of households is increasing by 4-5 percent this year which is a result of the wage agreements in 1987, along with the increases of a number of initiatives for retirees and daily allowance, among other things. Although there is an increase in the rise of prices in relation to 1987, the result will be an increase in disposable real income for the wage earners and the recipients of transferred income.

With the cutback in private consumption being less felt than first assumed in relation to imports, it can, however, be detected in the domestic consumer goods industry.

For the businesses within this industrial branch, the cutback in the households' demands for consumer goods is extremely sensitive.

It is an advantage with regard to balance of payment that it provides a direct drop in imports of raw materials and subsidiary materials, but with regard to employment, it is an unfavorable development.

At the end of the month of December, the total number of employed people in the consumer goods industry was 153,700 which is a reduction of 2,500 in relation to the same period 1986.

The businesses do not expect any immediate changes in this development. In connection with Denmark's Statistical Bureau economic indicator for the first quarter of current year, the durable goods industries indicate that they expect a marked drop in production, employment and orders received. The volume of orders received was below normal and the branch was generally characterized by production volume; the production was more than sufficient.

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**Unemployment Among Youth Increasing Again**  
36130049b Copenhagen BERLINGSKE TIDENDE  
in Danish 28 Mar 88 Sec II p 5

[Article by Jan Jorgensen]

[Text] Unemployment among the young has risen for the first time in many years, says the Employment Bureau. During the last 2 years, Dansk Metal has experienced a 33 percent increase in layoffs. The unemployment has only been kept under control through employment of 25,000 in the public sector.

The number of unemployed in the Copenhagen area is now 2,000 higher than at the same time last year. Despite progress in exports, the unemployment is rising.

"It is clear that the seasonal drop in unemployment is not going to happen this year. Instead, the unemployment rises slowly," says Employment Bureau Director Anders Winge, Copenhagen.

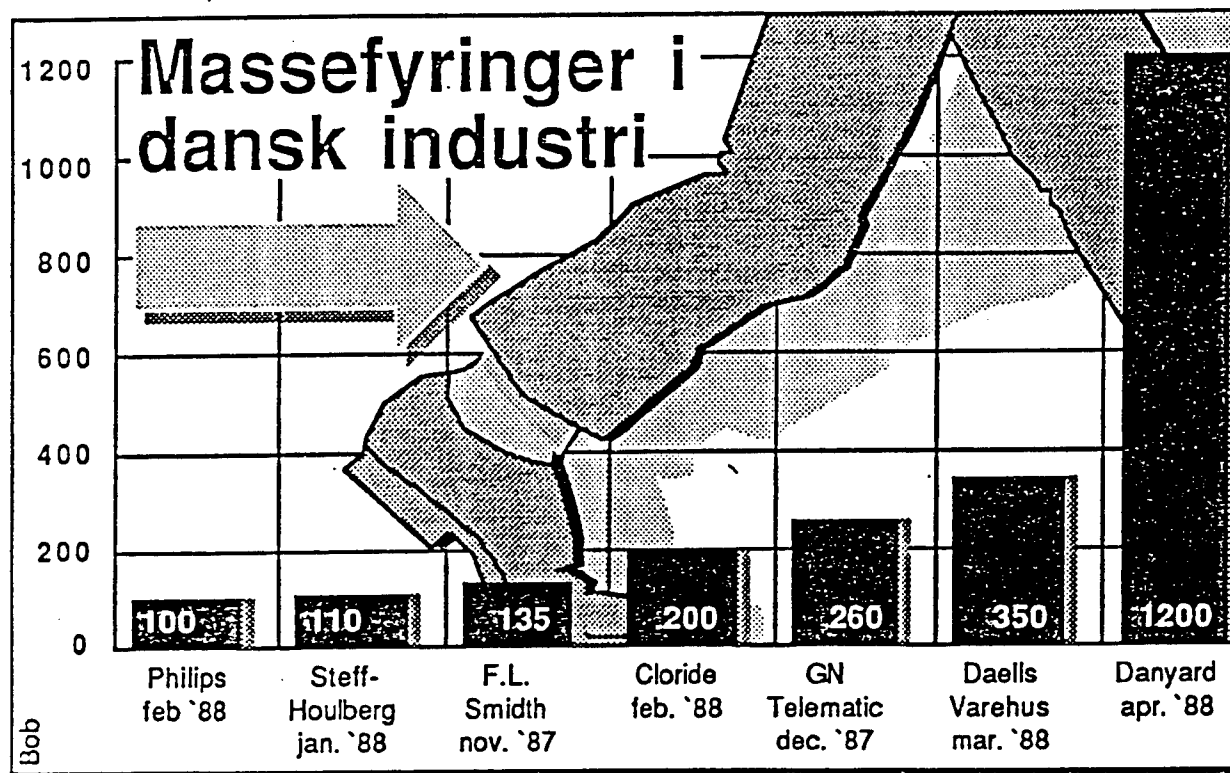
**Also Other Parts of the Country**

The trend in Copenhagen is confirmed by a series of the country's employment offices.

In Aarhus, Manager Klaus Moller says that the weak increase in unemployment is especially in groups such as technical employees and skilled metal workers. Something new is that unemployment is increasing more among men than women.

"Also, for the first time in many years are we experiencing an increase in unemployment among young people."

# Mass Firings in Danish Industry



The past few months have been characterized by news of mass firings in a number of different areas.

The employment offices in Fredericia and Sonderborg also report increased problems in finding employment—and especially for the metal workers.

"The employment in our labor unions was 8.8 percent in the middle of February compared to last year when it was 7.8 percent. In only 2 years unemployment has risen by 33 percent in the trade," says Economist Dines Schmidt Nielsen of Dansk Metal.

## Metal Hit Hard

Metal workers have been among those who were hit by mass firings, but the increased unemployment in the trade is mainly the result of progress where new technology has eliminated a series of jobs.

The Labor Movement's Trade Council has just completed new unemployment calculations for this year. The number of unemployed is expected to increase by 25,000.

"When the unemployment remained stable last year, it was because the public sector expanded by filling 25,000 positions, and the working hours were reduced. This year

we expect that the public sector will hire half of this figure and that there will not be any improvement from shorter working hours. These are the two main reasons for the unemployment to increase this year," says Economist Carsten Koch.

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## Politicians Seen Avoiding Tough Decision on Economy

36130057 Copenhagen BERLINGSKE TIDENDE in Danish 3 Apr 88 p 19

[Commentary by Frank Dahlggaard: "Single-Purpose Economic Policy Measures Undermining Denmark"]

[Text] The political majority continues to ignore a number of unpleasant economic facts and pursue a policy of remedying symptoms, resulting in unemployment and increased debt. The fact that Denmark today has a high rate of unemployment, a foreign deficit, an enormous foreign exchange debt and a devastatingly high tax

burden is, of course, not the desire of the politicians. Nor is the fact that many Danes today have lost the desire to work and save their earnings the result of endeavors on the part of the politicians.

It nevertheless is the result of the policy that has been pursued.

Some politicians seek to explain away the deplorable development by maintaining that the unpleasant developments have been imposed on us from abroad. That the international trends are the main reason for our problems.

However, that is not the case.

Denmark, of course, had had the same possibility as certain small countries, such as Switzerland and Austria, which, despite the lack of any raw materials of their own, have managed to avoid unemployment, foreign debt, and inflation. Provided we had pursued a different policy.

The fact that the Danes have closed their eyes to unpleasant economic facts has been a general characteristic of the policy pursued by Denmark over the last 20 years. With brief exceptions, a biased economic policy has been pursued.

Whoops!

The policy pursued in the early eighties and which resulted in an enormous deficit was primarily the result of a failure to face the economic facts.

The expenditures of the state were allowed to exceed the tax revenues, and the growing deficit was financed via the sale of huge amounts of state bonds.

Only in the summer of 1982 did the Social Democratic government realize the consequence of this policy. At the time, Knud Heinesen wrote in the party organ NY POLITIK (July 1982):

"Who are those who are financing the deficit of the state by purchasing the bonds issued by the state? They, of course, are the affluent. And who are those who have to defray the enormous amount of service payments on the national debt? Of course, first and foremost the ordinary taxpayers. The deficit policy results in redistributions within the society which we clearly have to oppose."

Or as subsequently stated by the Minister of Social Affairs Bent Rold Andersen: "By way of social policy measures, we bring about a redistribution from the rich to the poor by the teaspoon, whereas the redistribution of interest money in the opposite direction takes place by excavators as an unintentional consequence of the deficit policy."

Rold Andersen pointed out that the Social Democratic policy, despite its idealistic good intentions, has failed to consider the interests of the weaker groups within the society. On the contrary, the budget deficit of the state is a direct threat to the welfare society, he established.

Whoops, said the Social Democratic government, whereupon it resigned.

Imagine if they had faced the realities before taking the plunge into the deficit policy. In that case, we should have avoided the costly single-purpose economic policy measures.

And, in that case, we should have avoided the present domestic national debt of 350 billion kroner as well as the resulting interest burden.

### Single-Purpose Wage Policy

The unfortunate urge to ignore unpleasant facts, unfortunately, still prevails among politicians and trade union leaders, who have been elected by the people.

They thus keep demanding a solidarity wage policy, the purpose of which is to grant the largest wage increases to those who are paid the lowest wages. In the name of solidarity and equality. That, of course, sounds good, though, in fact, it is a bad idea.

For if especially the lowest wages are increased, this will have two unpleasant and antisocial consequences: first, the unemployment rate among those whom one would want to help will increase, because their price in the labor market will be too high compared to their utility value. And, second, it has been the experience that the result has been demands for big wage increases among the better paid workers and salaried employees, who thus, in the final analysis, are not the least for solidarity.

The solidarity wage policy thus sets in motion multiple shifts in the wage structure, which will raise the entire wage level, undermine the competitiveness and leave behind the lowest paid workers—who will be saddled with a higher rate of unemployment as well.

Similarly, the noble demand for a guaranteed minimum wage, primarily, constitutes a guarantee that an increasing number of the weaker ones (including young people) in the labor market will lose their jobs—and will have greater difficulty finding other jobs.

Whoops!

### Security Utopia

The demand for a higher daily benefit coverage was met by way of the Christmas package, which will raise the maximum daily benefit payments by 10-percent as of 1 July.

It is, of course, socially just to pay a higher daily benefit coverage to those who through no fault of their own have become unemployed. However, unfortunate consequences as well are associated with higher daily benefit payments:

The lowest paid employees will certainly raise strong demands for wage increases, with reference to the higher rate of daily unemployment benefits. For they certainly do not want to become the laughing stock because of their work. They naturally do not feel like working hard for a few kroner per hour, which will become the difference between wages and daily unemployment benefits as of 1 July.

It is ostrich policy to close ones eyes to the unpleasant fact that high daily unemployment benefits result in higher rates of inflation and unemployment, which undermine the economy.

The request for employment security is another of the many demands that are advanced without regard for the economy as a whole:

It goes without saying that long terms of notice will result in increased security among those who are employed. On the other hand, it will become more difficult for young people and the unemployed to find work. The employers will, of course, become more careful when appointing people if they have difficulty getting rid of them later on.

Correspondingly, the demand to prohibit the dismissal of pregnant women is ill-advised. This would, undoubtedly, increase the rate of unemployment among all female workers of childbearing age, because the enterprises will hesitate to employ them.

#### Every Little Bit Helps

Raising the level of social security is, of course, a good thing in itself. But it is dangerous to close ones eyes to the consequences of the social security policy, viz. less initiative, enterprise, and savings.

For example, why should one save one's money if the state provides security in case of unemployment, illness, accidents, and old age?

If one introduces a number of social systems, one cannot avoid that people will speculate in it: for example, many people today find it entirely foolish to save their money for their old age, because they will then lose additional pension payments, heating subsidies, housing subsidies, and other subsidies, which they would otherwise have received.

And why should young parents try to find work or additional work, considering that the entire increase in their incomes in many cases goes into higher taxes, higher kindergarten and nursery fees and results in lower rent subsidies.

For the last couple of years, the politicians at Christiansborg [parliament] have been preparing large-scale reforms in the expenditure policy area. The water environment plan, the State Education Fund reform, social recovery, etc., will combine to bring about a noticeable increase in the expenditure level. Together with the recession, this will mean that we shall anew experience a deficit in the national budget combined with an increase in the national debt.

One already hears in one's ears the politician's reaction: Whoops!

7262/9274

## FINLAND

**Country's Industry in Wave of Foreign Takeovers**  
*36130047 Copenhagen BERLINGSKE TIDENDE*  
*in Danish 26 Mar 88 Sec II p 7*

[Article by Jorgen Skjoldan: "Finns Buying Firms on Large Scale"]

[Text] Finland is now the largest foreign investor in Swedish businesses. At the same time, Finnish interests in the EC are increasing sharply.

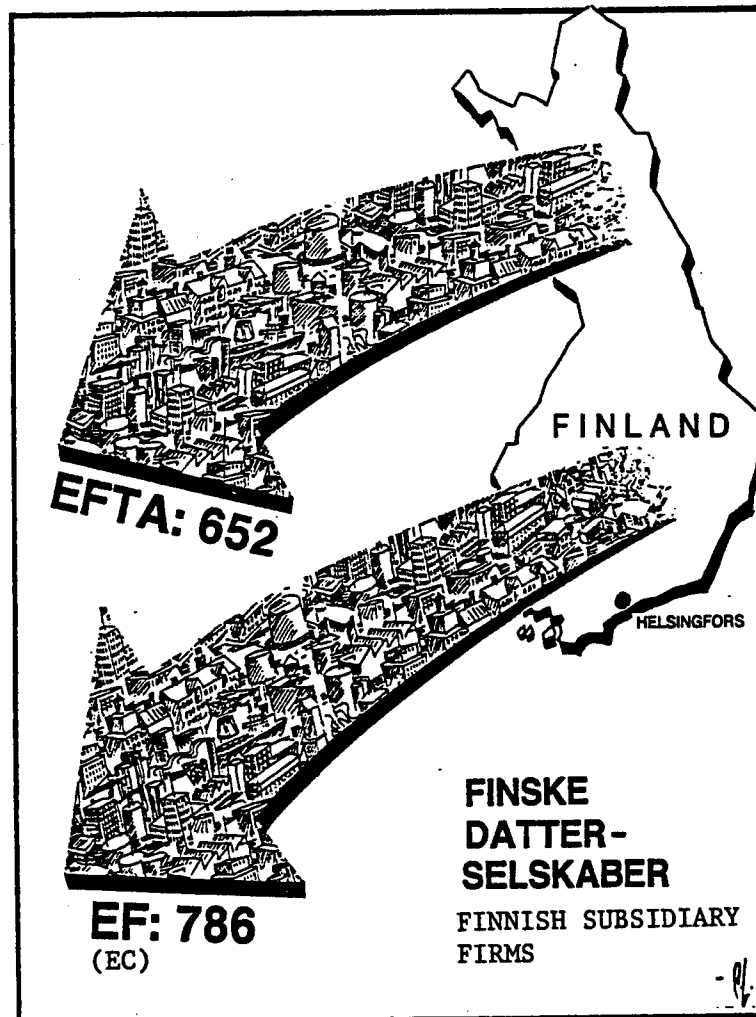
Finland has become a major purchaser of firms outside that nation's boundaries. In recent years, the Finns have made such large purchases that, on the global scale, they are surpassed only by Japan and West Germany.

This placement in the statistics on international corporate takeovers is an expression of stable growth and of a conscious effort to internationalize Finnish business over the past 10 years. A recent report shows that at the beginning of the year the Finns had 786 subsidiaries in EC countries and 652 in other EFTA countries. A considerable number of these subsidiaries were established in connection with the purchase of companies or divisions of companies in other countries.

Thus, Finnish businesses are spread over many countries but, hardly surprisingly, Sweden is the country with the greatest Finnish interests.

The Finns are now the greatest investors in Swedish businesses. Over 25,000 Swedes now have Finnish employers. They are distributed over 452 companies, 140 of which were purchased during the 1980's alone.

Above all, the Finns are taking over industrial companies. Examples include Outokumpu's purchase of Granges Metalverk, the merger between Ovako OY and SKF Stal, and Nokia's surprising purchase of the electronics firm Luxor and L. M. Ericsson's computer division in 1987.



#### Investing in EC

Finland's net investments abroad in 1987 totaled 6.7 billion Danish kroner, which represents an increase of about 250 million Danish kroner over 1986 which, by the way, was a record year for Finnish investments abroad.

By far, the majority of the 1987 investments were made in EC countries. They attracted 63 percent of the total investments, while the Finns invested only 18 percent in EFTA countries. The remaining investments were primarily in North American firms.

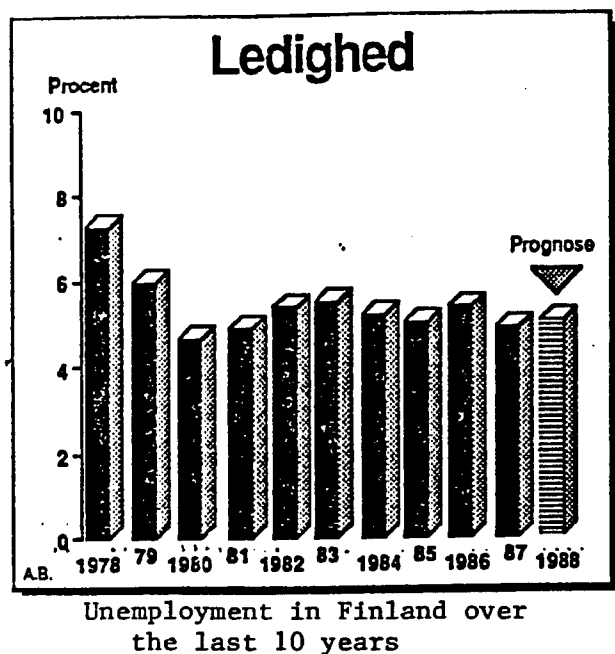
In contrast to the billions invested by Finland, it may be mentioned that foreign companies invested only 710 million Danish kroner in Finland in 1987.

Finnish businesses are consciously expanding their trade with the EC countries. In recent years the planned establishment of the Internal Market of the EC has

stimulated Finnish interest in making a mark on the enormous domestic European market, even though Finland itself remains on the outside.

"The position of the Finnish government is that membership in the EC is out of the question, since the political obligations this would entail are contrary to Finland's policy of neutrality. But this must not prevent us from seeking some reasonable agreements on trade and cooperation with the large EC market," one of the most important persons in Finnish business, Wartsila chairman Tankmar Horn, told BERLINGSKE TIDENDE.

Tankmar Horn said that it was of the utmost importance that Finland, through its EFTA membership, attempt to expand its cooperation with the EC in the form of sensible trade agreements. However, another channel would be Nordic cooperation, in which Denmark is the only EC member.



#### Stable Growth and Low Unemployment

The fact that Finnish business seems to be doing well is closely linked to the country's stable growth throughout the eighties. Average annual growth fluctuated between 2 and 3.5 percent.

It is doubtful, however, that this stability can be maintained. Falling oil prices have a negative impact on the Finnish economy. This is primarily because of trade agreements with the Soviet Union. The Finns purchase oil in the Soviet Union, while the Soviets import Finnish industrial products for a corresponding sum. When the import cost of oil drops, there is a similar drop in exports to the Soviet Union. In 1987 alone, falling oil prices meant a 16 percent drop in trade between Finland and the Soviet Union. This did not have a major impact on the Finnish economy in 1987 because of increased exports to Western Europe and North America. But the Finns will be hard pressed to increase these exports in 1988, as well.

Another factor is the new contracts on the Finnish labor market. They are up for negotiations this month and there is particular concern over the metal industry. The employees are demanding an 8 percent increase in wages, while the employers and the government have agreed that the Finnish economy can bear only a 3 percent increase.

An agreement has already been reached with workers in the large paper industry. The contract calls for a 3.1 percent wage hike, while municipal employees have accepted a 2.8 percent increase.

There is no significant problem with unemployment in Finland. In 1987 the unemployment figure was just below 5 percent. This was because early retirement plans were established, along with a special unemployment insurance for persons over 55 years of age. Many Finns took advantage of these plans.

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#### FRANCE

##### Aeronautic Sector Prepares for Heightened Competition

35190054 Paris LE QUOTIDIEN DE PARIS in French  
5 Apr 88 p 10

[Article by Henri Tricot]

[Text] The big game of Monopoly that is underway in the engineering industry after hitting the automobile sector will no doubt spread to equipment manufacturers in the aeronautic sector: major firms such as AEROSPATIALE [National Industrial Aerospace Company] and SNECMA [National Aircraft Engine Design and Manufacturing Company] are regrouping their forces to get ready for the market "explosion" expected by all the manufacturers.

It has become virtually commonplace that major aeronautical programs, whether civilian or military, are costing more and more. The latest estimates by the big manufacturers point to a veritable explosion in civilian contracts. And between now and the end of the century, military programs will involve the production of nearly 3,000 aircraft for the developed Western countries alone. The first effect of this can be seen, incidentally, in the necessary "increase in potential" at the facilities of AEROSPATIALE, which plans to assemble over eight Airbus A-320's per month in order to meet the demand expressed for that aircraft. A-320 No 27 is already on the assembly line, scarcely 1.5 years after the first flight by the first prototype. By the time the line is running at full speed—in 1991—the manufacturing cycle for a small Airbus will have been reduced from 7 months to 2.8 months.

That European consortium's future programs, and particularly its A-330 and A-340 programs, will for their part require the building of a new plant in the Toulouse suburbs at an estimated total investment of 1.5 billion francs. And the managers of AEROSPATIALE, which, in addition to the Airbus planes, is also producing the ATR's [Regional Transport Aircraft] and light aircraft through its specialized subsidiary, expect that they will have to be assembling 250 aircraft annually by 1995.

And projects by the other manufacturers are progressing equally well. It is true that the new business aircraft program mentioned by the minister of transport during a visit to the Marcel Dassault Aircraft-Breguet Aviation plants in Bordeaux has not yet been finalized. But the



firm should receive an order in the very near future for the first prototypes of the future French combat aircraft. The bustle of activity among engine manufacturers is equally lively. SNECMA is putting the finishing touches on the latest versions of the highly renowned CFM-56 jet engine and the engine for the future combat aircraft. At the same time, the firm has also become involved in the program for a "concocted" prop engine with its usual accomplice, General Electric of the United States. Contrary to what their U.S. competitors sometimes claim, French firms do not live solely on government subsidies. The great increase in programs is requiring ever-increasing capital outlays, which AEROSPATIALE or SNECMA may finance partly through the financial market. Both recently signed "multiple-option facility" agreements. But for one thing, the financial market cannot do everything, and for another, good management of the programs is making it necessary to look for new synergies.

The result is that the phenomenon of restructuring already noted in the automotive equipment industry is beginning to occur in the aeronautic sector. It is a trend that seems all the more necessary in that the sector appears to be particularly dispersed in France, where 140 firms are competing for a market that was worth 22 billion francs in 1987 and where the diversification by the largest of them sometimes leads to duplication. SNECMA, whose subsidiaries include both Hispano-Suiza and Messier-Hispano-Bugatti (there is sometimes a certain irony in the old groupings), recently signed an agreement with the West German firm of MAN covering Hispano's work with turbines.

Other agreements making it possible to refocus the firm's activity on aeronautical and space engines might be considered, although for the moment, SNECMA's management is looking at the idea with the greatest caution, since it clearly prefers to hang on to everything even remotely connected with its favorite sphere—whether that be the carbon-fiber brakes (used on the Airbus) that are manufactured by the SEP [European Propulsion Company] (of which it owns 52 percent) or the landing gear produced by Messier-Hispano-Bugatti.

On the other hand, AEROSPATIALE's policy is much more clear-cut. The course of action adopted by its chairman and general manager is clear: in the case of aeronautics, it is a matter of focusing everything on the construction of airframes and final assembly. Anything not included within that very strict framework can be subcontracted. Hence the idea, attributed to AEROSPATIALE, of divesting itself of, for example, SFENA [French Company for Air Navigation Equipment], which is one of France's chief equipment manufacturers and about 33 percent of whose capital is owned directly by AEROSPATIALE. But since AEROSPATIALE also owns nearly 40 percent of Crouzet and Crouzet owns 23 percent of SFENA, it is quickly realized that the "dispersion" of firms is only apparent, at least as far as their capital is concerned. For that matter, the situation is the

same from the standpoint of turnover: the two leaders in the industry, Thomson-CSF [Thomson-General Wireless Company] and SAGEM [Company for General Applications of Electricity and Mechanics] (although Thomson, with a turnover of 9.2 billion francs, "weighs" exactly twice as much as its nearest competitor), have a combined turnover equal to that of the six companies ranking just behind them as equipment manufacturers. At least it is a situation which ought to facilitate considerably the job of the strategists contemplating the establishment, after Framatome and Joint Navigation, of a counterweight which would rival the U.S. groups.

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## ITALY

### Enichem, Montedison To Merge; Will Become Chemical Giant

3528M285 Milan *ITALIA OGGI* in Italian  
24 Feb 88 p 3

[Article by Roberto Ippolito: "Enichem-Montedison: The Birth of A Chemical Pole"]

[Text] Rome—Enichem and Montedison are moving toward a merger. A new company has been proposed with the aim of bringing together the state chemical industry currently controlled by ENI [National Organization of Hydrocarbons] and the private firms controlled by Raul Gardini. The project, formulated by Mediobanca, assigns overall control to ENI. To launch the operation, a top-level meeting was called late yesterday evening at Palazzo Chigi with Prime Minister Gorla, Treasury Minister Giuliano Amato (PSI [Socialist party]), Minister of State Participation Luigi Granelli (DC [Christian Democrat party]), Industry Minister Adolfo Battaglia (PRI [Republican party]), and Budget Minister Emilio Colombo (DC).

The details of the merger project have already been established by Franco Reviglio and Antonio Maccanico, presidents of ENI and of Mediobanca respectively, but political and technical obstacles still cannot be ruled out. If the merger takes place, Italy will have a chemical giant with sales of 12 trillion lire, capable of competing with international giants in the field.

The Himont and Erbamont firms are not included in the merger, as Gardini intends to keep these for himself. Thus, two areas of activity will be excluded: the polypropylene and pharmaceutical sectors. Under the terms of the project, the new company will have initial capital of 4 trillion lire divided equally between ENI and Montedison with contributions of 2 trillion lire each. This figure still has to be confirmed because, according to some sources, there is a possibility that Montedison's contribution could be larger than that of ENI and in this way Gardini would get a large adjustment—thought to

be in the region of 2 trillion lire. However, there is no confirmation of this. In any case, in the initial phase the two partners would have 50 percent each.

On the basis of the agreement defined by Reviglio and Maccanico (who worked on the project for several weeks) their share is bound to decrease very soon. By means of a capital increase, underwritten by neither ENI nor Montedison, Mediobanca and any other private institutions interested should be able to acquire for themselves a substantial portion of the capital. If the capital increase were to be underwritten by Mediobanca and its "partners" for 2 trillion lire, as envisaged by the Meccanico plan, they would get up to 33 percent of the new company. With an increase of 1 trillion lire, their share would be 20 percent.

Implementation of the project will clearly require a careful evaluation of the names of the private institutions which would be part of the new chemical giant. If Mediobanca were to acquire the majority of the shares not assigned to ENI and Gardini, or if Mediobanca were to choose the names of the partners, the Mediobanca shareholders would have a substantial say in the matter. Once the new organization has been defined (according to one scenario 40 percent to ENI, 40 percent to Gardini, and 20 percent to Mediobanca and private institutions; and in the second scenario with one-third going to each party), the government—through the Interministerial Committee for the Coordination of Industrial Policy [CIPI]—will define a series of interventions for the chemical sector. In practice, these will constitute the support measures for the sector that should make it possible to progress from the fragile restructuring accomplished today by the two partners to a much more solid development phase.

If everything goes smoothly, according to the plans formulated by Reviglio and Maccanico, the new firm would operate in basic chemicals, fibers, and fertilizers. Montedison would bring to the merger the Montefibre, Montedipe, and Fertimont firms. Enichem, headed by Lorenzo Necci, would contribute all its activities, with the exception of Sclavo, the vaccine manufacturer which has just concluded a joint venture agreement with the American Du Pont firm.

Once the political go-ahead for this operation is given, the agreements whereby ENI will assume the management of the future Enimont company will have to be defined. In other words, it will be necessary to formulate a trade union agreement whereby the public sector will maintain control while accepting to go below the threshold of 51 percent of the shares. The plan formulated for the chemical merger resembles the plan put together previously for the Telit merger, the unsuccessful telecommunications merger between a public sector group (IRI) [Institute for the Reconstruction of Industry] and a private sector firm (Fiat), where the agreement was that the two partners would have had 48 percent each and Mediobanca 4 percent.

Maccanico started work on this project after the former Mediobanca director Enrico Cuccia had developed the restructuring plan for Montedison and Gardini's Ferruzzi Group, which ran into so many problems in the stock market. Initially Reviglio was against the merger, preferring sector-by-sector joint ventures. He then supported it; it involves basic chemicals, fibers, and fertilizers, just as he wanted.

08615

## NORWAY

### Central Bank Chief on Problems of Consumer, State Debts

36390046a Oslo AFTENPOSTEN in Norwegian  
18 Mar 88 p 31

[Article by Ulf Peter Hellstrom]

[Text] Private households and the public sector react slowly and to a limited extent only to the retrenchment measures, says the Central Bank of Norway. In its most recent economic survey, the Central Bank points out that it will still be a long time before it will be possible to achieve a balanced economy. Hermod Skanland, Central Bank chief, says that the line of moderation that has been pursued since this year's wage settlement will have to become the standard for the coming years as well.

In its most recent evaluation of the country's economic health situation, the Central Bank establishes that private households as well as the municipalities continue to accumulate even more debt, although the rate of growth is lower than it used to be. Preliminary figures for 1987 show that the expenses of private households and the municipalities last year were approximately 55 billion kroner higher than their incomes. The Central Bank adds that there were clear indications of a moderation toward the end of last year.

### Increased Borrowing

The rate of increase in the debt last year was somewhat lower than in 1986, when the increase amounted to 63 billion kroner. The figures, however, indicate that the total rate of increase in the debt of mainland Norway in 1987 was almost as large as in 1986. The oil industry, however, reduced its rate of borrowing.

During a press conference yesterday, Hermod Skanland, Central Bank chief, said that it is of vital importance to avoid a cost development such as the one that followed the freezing of wages and prices in 1978-79. The possibilities of avoiding this ought to be better now, partly because there is no price freeze and partly because the rate of demand will gradually decline.

"We cannot carry through retrenchment measures in Norway without affecting the wage situation," Hermod Skanland said.

The Central Bank of Norway also discussed the subject of the recent settlement between the Federation of Trade Unions and the Norwegian Employers' Association. The Central Bank pointed out that in order to maintain the current rate of competitiveness after 1988, it will be necessary to carry through a tight budget in 1989 as well.

The initial effect of this year's wage settlement will be that the rate of increase in wages in Norway will decline toward the rate of increase in wages among Norway's most important trade partners. However, we shall continue to be affected by the weakening of our national competitiveness caused by years of costly wage settlements, the Central Bank of Norway said.

#### Lower Rate of Inflation

It is quite possible that the rate of price increases toward the end of the year will have dropped toward the level of 5 percent, measured over a period of 12 months, the Central Bank said. The rate of export of Norwegian goods appears to become somewhat higher than previously assumed, not least as a result of high prices for traditional Norwegian exports, such as aluminum. During the last few quarters, import prices have shown a declining trend.

#### Decline of Billions of Kroner

The Central Bank of Norway, however, put a damper on the optimism, if any, by pointing to the fact that oil prices in January and February of this year were as much as 20 percent lower than during the corresponding period last year. The possibilities of an improvement in Norway's traditional foreign trade will be overshadowed by the prospects of a reduced rate of export of Norwegian oil, the Central Bank said.

"The circumstances may easily cause a decline in oil exports by 5-10 billion kroner in 1988," the Central Bank of Norway says in its economic report.

The labor market continues to be very tight. Reduced working hours and a sharp increase in the public sector have contributed to a high rate of demand for labor.

The American credit rating company of Standard & Poor's adheres to its credit rating of Norway, which so far has remained at the highest level, AAA. "It is encouraging that Standard & Poor's has reached the conclusion that Norway continues to be rated among the most creditworthy nations in the world," Minister of Finance Gunnar Berge said in his commentary.

07262/09599

#### Falling Oil, Gas Prices Since 1985 Bring Fiscal, Trade Problems

**Reduction in Living Standard Warned**  
36390053 Oslo AFTENPOSTEN in Norwegian  
9 Apr 88 p 5

[Article by Flemming Dahl: "Tight Times and Scanty Fare Following Oil Party"]

[Text] A net total of roughly 40 billion kroner—10 one-thousand kroner notes for every Norwegian—was paid into the State Treasury during the course of a single year. This was in 1985, and the money came from oil and gas operations. But a violent price decline in the first half of 1986, with a subsequent fall in gas prices as a result, signaled the same thing as when a headwaiter blinks the lights. The party, which had been going on for many years with increasingly rising spirits, was over.

Indeed, there was a follow-on party—with about 24 billion kroner in 1986 and around 7 billion last year. But, now, that too is in the process of shutting down. The people who look after the state treasury are watching the continuing low oil and gas prices with concern. They fear that the net result this year may be only a few billion kroner above the zero mark or, in the worst case, if prices in the coming months drop even lower than today, in the minus figures.

Tormod Andreassen, the chief economist with the large Kredittkassen Bank is among the many who see the threatening writing on the wall. "Developments and figures show that oil earnings are no longer providing us with any help toward a high living standard," he says, almost as if he and Finance Minister Gunnar Berg are speaking with the same tongue.

"Because we have not built up an economic buffer, we must now reduce the standard of living in step with oil earnings," concludes this banker whose employers are among those who are experiencing for themselves that "oil-Norway" is longer what it used to be.

#### There May Be a Hangover

While the good mood continues to build, there is no lack of warnings from economists and politicians that a hangover may one day result. Operations out on the continental shelf have assumed such a central role in Norway's economy that the country may find it exceedingly uncomfortable when a shortfall appears, they have said. But the decision-making powers have acted as if the good times will last forever. They have not followed advice to put a part of the earnings aside for use in tighter times.

In a recently issued working paper, Professor Arne Jon Isachsen and Chief Analyst Svein S. Anderson, both connected with the Industrial Economics Institute, point

out how oil and gas earnings in the 1970's and 1980's were accompanied by a demand for increasing public disbursements and transfers.

Isachsen and Anderson are among the many who hold the view that influential groups in society have been given too much scope. "So long as the country had large earnings, it paid for all strong groups to be in the lead. Conflicts between short-term group interests and long-term national needs were pushed into the background," they write. But, now, the blue Mondays have arrived—there is scarcely any more money to draw from, in any case in the short term.

The problems in the oil economy are manifesting themselves in full measure at a point in time when the Mongstad scandal that ate up billions, the dramatic stock market crash, the large bank losses and the wage control law have already gotten the man on the street to recognize that far from everything is like it used to be. The time has come when the Danes and Swedes no longer need to look at the Norwegians with those glances that betray a mixture of wonderment and envy.

#### Gilt-Edged Despite Everything?

The Gullfaks field in the North Sea is one of those billion-kroner-eating investment projects for which things are not going well these days. The build-up of the field, at a calculated cost of about 60 billion rubles, began in 1981 in the expectation of continuing high oil and gas prices. But this was put into operation at the close of 1986—just after the fall in prices ended.

"The price of oil is disturbingly low in relation to the expectations we had," admits Information Chief Haakon Lavik of Statoil, which has operational responsibility for Gullfaks. But Statoil, like other companies in comparable situations, has a hope and belief in better times.

"The situation is such that the main part of Gullfaks production will come in a period during the 1990's when we anticipate rising prices," says Lavik. He has still not given up hope that Gullfaks, all in all, will be a gilt-edged project.

More specifically, everyone who lives off oil and gas sales is figuring that the prices will rise significantly. But predictions of when and how quickly and how high they will go up are many and varied. It is precisely this which makes it so difficult to feel secure about the future.

#### A Vitaly Important Milk Cow

If "oil-Norway" itself is thus now more or less hanging in the balance, not the least to blame for this is Statfjord, the giant field which came into production in the last half of the 1970's and which still is the milk cow, ahead of some, with regard to Norwegian oil. What people

dependent upon oil have never liked to talk about is how the Norwegian economy will suffer if something should go so wrong that Statfjord goes out of operation.

But senior researcher Karl-Ove Tvedt, with the Industrial Economics Institute, sits somewhat outside the oil milieu and does picture such a situation. "If Statfjord should drop out entirely, total petroleum operations would show a deficit for many years," he says. In other words, Statfjord is a prime example of how vulnerable the Norwegian economy has become as a consequence of the heavy investment in the North Sea.

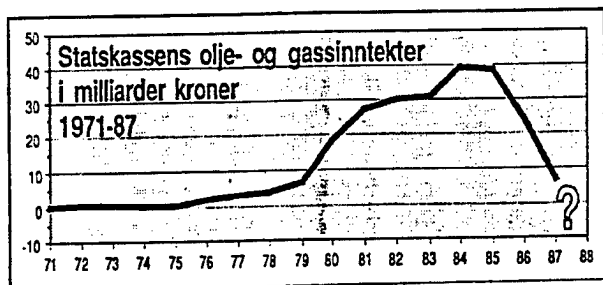
The 30 member countries in OPEC (Organization of Petroleum Exporting Countries) have received much of the blame for today's low oil prices. That the OPEC countries ought to produce less oil, so as to eliminate the oil surplus on world markets and to drive the prices up, is a demand heard from many quarters, not the least from Norway and other non-member countries which themselves are producing at full or, like Norway, at a conservatively reduced capacity.

#### OPEC's Worry

The OPEC countries themselves are worried about the situation. In December they gambled upon a production level which was supposed to fix prices at 18 dollars in 1988, a goal which has not been achieved. Developments so far this year have been assessed by OPEC as so disquieting that the organization's price committee is to meet in Vienna today in order to assess what can be done in order to drive prices up.

The prices for oil and, with them, the prices for gas also, climbed and climbed during the 1970's. Early in 1981, oil prices reached a record level of around 40 dollars per barrel, a price so fat that it was not regarded as particularly burdensome that it soon settled down to a level of around 30 dollars. It was only when, in half a year, they plunged to under 10 dollars in the summer of 1986, that the situation was perceived to be exceptionally serious. To be sure, the prices soon rose to a level of between 15 and 20 dollars, but they did not go any higher than this later on.

This year, oil prices dropped within a short period to under 15 dollars, before returning in recent days to a little over 15 dollars. This is bad when seen in light of the Norwegian authorities' expectations of an average oil price this year of between 18 and 19 dollars. This is also really bad when viewed in relation to the 40 dollars in early 1981—a price which, taking the inflation of later years into account, corresponds to something like 60 dollars today. Today's oil prices are thus, for practical purposes, only a quarter of what they were at their highest.



National Treasury's Income from Oil and Gas in billions of kroner, 1981-87

### More and More

The good mood of the 1970's and 1980's was not due to the price climb alone, but also to the fact that Norwegian oil and gas production simultaneously grew and grew. More and more oil at higher and higher prices—the billions just rolled in. One consolation in today's situation is that Norwegian production continues to rise, but this is hardly enough to make up for the low prices.

Leif Kolbjoern Ervik, a department head in the Finance Ministry, is among those who, at the very height of all the misery, reminds us that the belief in a recovery is so great, despite everything, that the Norwegian state continues to find it correct to invest in the development of new oil and gas fields. "It is the investments in future earnings that are the reason we may drop this year to around zero in net state earnings from the petroleum operations," he says.

What Ervik is referring to is that the state treasury now stands to get a gross sum of 8 to 10 to 12 billion kroner from oil and gas earnings this year, and that the zero-range does not enter the picture until the planned 1988 investments are subtracted from this.

Senior researcher Tvedt of the Industrial Economics Institute considers himself "a little more pessimistic than many", but finds it difficult himself to see how Norwegian oil and gas operations could result in direct losses in the foreseeable future.

At the same time, it is difficult for him to foresee a new oil party of the same sort as before: "The relief may be low, and we may well come to see that we would have gotten a greater relief if we had used the investments in oil, and gas projects, for something else."

### Impact on Trade Deficit

36390053 Oslo AFTENPOSTEN in Norwegian  
15 Apr 88 p 3

[Article by Cecilie Norland: "Weak Oil Price Produced Deficit for Norway"]

[Text] Weak oil prices contributed to the fact that Norway's foreign trade operated at a loss of 1.15 billion kroner in March. The average price of oil was 14.10

dollars a barrel, the lowest since December 1986. Mainland Norway's deficit was 5.35 billion in March. The latest figures from the Central Statistical Bureau confirm that the weak improvement in the trade of traditional goods continues.

The value of Norway's exports abroad was 12.53 billion kroner in March. The value of imports was 13.6 billion. The figures for the first three months this year show a surplus of 255 million from Norway's trade with foreign countries. These figures are, however, very uncertain, as they are influenced by the fact that the statistics were compiled in late December.

"The March figures show that the positive development in our traditional trade is also continuing in 1988. We have a strong and stable growth in export value, thanks to good prices and increased volume," comments social economist Knut N. Kjaer of ELCON. He says also that import values are now growing a little, after having remained at the same level for a time.

It is a certain increase in volume that is pulling imports up; for the time being, prices are remaining still. Kjaer warns of rising import prices in the course of the year. He also notes that the average price of oil was sensationally low in March.

The exchange rate for Norwegian Kroner weakened from an index value in the foreign currency basket of circa 111.25 on Wednesday to 111.40 when the figures became known. Bank chief Birger Langeland from DnC says, meanwhile, that the foreign deficit was approximately as anticipated, and that the market therefore, in practice, had digested the figure before it came. "The small weakness of the kroner exchange rate, presumably, can be blamed just as much on the most recent inexplicable rate rise which we have had in the last few days," says Langeland.

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### Book Enlivens Debate on Privatization of State Industries

36390046b Oslo AFTENPOSTEN in Norwegian  
18 Mar 88 p 31

[Guest commentary by Arnulf Ingebrigtsen, director of the Federation of Norwegian Industries: "The Basic Problems of State Industries"]

[Text] The debate on our state-owned enterprises remains lively. It is actually taking place at two levels. For one thing, there are constant reports on major economic and technical problems within the enterprises themselves, which the press regularly refer to as "new scandals." For the other, it is becoming increasingly known and recognized that our system of state-operated

enterprises cannot continue, and, as a result, it has been possible to carry through a clear liquidation of state ownership as well as reorganization to other forms of ownership and operation.

Odd Goethe's book has accelerated the basic debate. Irrespective of one's opinion of the book itself and the many individual cases and episodes dealt with in the book, the main impression of the book remains one of political significance, viz. that a man of such background and experience says that "state-owned industrial enterprises do not belong in Norway." A chapter is incidentally called "State-owned enterprises being liquidated." Last week, the book formed the point of departure in a new debate in the Polytechnical Association. As a result of all of this, it is tempting to comment on the developments and to attempt to take stock of the situation.

One question that is frequently raised is, of course, whether state-owned enterprises are actually being liquidated. Is it not possible that a new period of unemployment may give rise to new demands for the state to assume the direct responsibility for employment in this manner?

It goes without saying that an economic slowdown may also delay a process such as this one. Such a reorganization is always easier to undertake when there is a high growth rate, and expanding enterprises may take over resources that are no longer being used profitably. However, the rate of development, as far as state-owned enterprises are concerned, is probably such that it may no longer be stopped by such economic fluctuations.

A basic reason for the current problems is that the state has kept its responsibility as employer, as far as all of these workplaces are concerned. Goethe elucidates the fact that local communities and other environments connected with the enterprises have seen to it that the state has been given the political responsibility for maintaining the rate of employment practically irrespective of the cost. Even if a department or a minister might want to take questions of profitability into consideration, this has become a political problem for the government, and at the following stage all groups have been playing on parliament. This has made it almost hopeless to carry through a rational, businesslike evaluation of enterprises and projects.

It is primarily here that the situation is new. The economic problems have appeared to such an extent and at such a rate that the political bodies cannot afford paying their way out of them. Even the most enthusiastic ones realize that the exchequer no longer is an inexhaustible as some years ago they claimed it to be. Those associated with the enterprises have for their part learned that state-owned industrial enterprises may go bankrupt as well, may experience cutbacks in their operations, or may be sold. They provide no guarantee of security.

The present government has been able to pursue a pragmatic line without encountering any major resistance in parliament. Groups that previously might want to take extreme steps for ideological, local, or social reasons hesitate to come forward and take the responsibility for new commitments. They might have repercussions.

In this situation, it actually does not become terribly important to carry on a rather subtle debate on new forms of government or administration. The fundamental question nevertheless becomes why the state has to own that industry.

There is no sufficiently broad support for state ownership for ideological reasons. It is primarily the question of employment in certain exposed local communities that actually underlies the existing commitments. In the other cases—where the operation goes quite well—other reasons have been given for state ownership. However, where the operation has not been delegated to private persons, the actual reason often has been that the employees have found it safest from the point of view of employment for the government to be the owner.

Analyzing the ownership function and the extent to which it is to be deliberately exerted, therefore, becomes rather theoretical. Norway has developed its own tradition in conjunction with state-owned enterprises where the owner has consisted in multiple heads.

The formal owner is a department the task of which is to tackle the problems facing it, but, in addition, there is a "superior owner" in the form of a government or not least a parliament composed of many parties. When everything becomes politics and political responsibility, a management company, for example, would not make much difference one way or the other. In any major issues, it has after all been a question of what has been politically feasible.

When finally this system has become the victim of its own built-in mechanisms and appears to be on the brink of collapse, the task will be to get as painlessly as possible out of it.

07262/09599

## SPAIN

### AP Deputy Questions Large Development Aid to Angola

35480080c Madrid ABC in Spanish 8 Apr 88 p 23

[Article by Jose Antonio Sanchez]

[Excerpt] Madrid—Spain will allocate more than 9 billion pesetas during the 1987-1988 period to aid the regime in Angola, which serves as the main base of operations for the Cuban Armed Forces in Africa, under a cooperation agreement signed by the two countries in May of last year.

By virtue of this cooperation agreement, which has not yet been ratified, Angola joins Cuba and Nicaragua in the orbit of the countries that benefit from the Socialist foreign policy. In this regard, Popular Alliance Deputy Inigo Herrera has termed the generous aid to the Angolan regime "scandalous." "That country," says the deputy, "allocates a large part of its resources to paying the dictatorship of Fidel Castro for the military support Cuba lends the African nation." In this connection, the AP leader explains that "it would be preposterous if Angola used part of the billions of pesetas Spain gives it to pay off its debt to Cuba. The government must provide guarantees," he added, "that this is not happening."

The generosity of Spanish aid to Angola is made evident by the government itself. Last February it asserted, in a response to AP Deputy Santiago Lopez Valdivielso (which ABC has obtained), that the agreement that was signed "provided for the refinancing of the Angolan debt and the granting of some lines of credit."

These lines of credit, according to the government, amount to \$40 million for short-term transactions to purchase Spanish goods and services; \$25 million for the medium and long terms; and a credit of \$10 million from the Development Aid Fund, approved by the Council of Ministers in November 1986. To this we must add "food aid in the form of 1,800 tons of wheat flour, valued at 90 million pesetas."

But the assistance to the Angolan regime does not end there; the general cooperation agreement signed in May of last year commits Spain to an allotment of 340 million pesetas "in the scientific and technical field." These millions of pesetas will be used to pay the Spanish medical assistants who are working in that country and the four Spaniards who are advising the Angolan minister of industry, and to finance a number of projects such as the study of the electrical grid in Luanda, drainage and irrigation, and the electrification of the Huila region. According to the government, 20 million pesetas is earmarked for "humanitarian aid to Namibian refugees in Angola."

If we note that in addition to this hefty economic aid package, the Angolan debt is also being refinanced, we realize that the Angolan regime is enjoying the greatest blessings and favors the Socialist Government can grant.

Given that all these outlays are included in the General State Budgets under the subprogram titled "Developing Countries," AP Deputy Inigo Herrera told this newspaper that "it is embarrassing that Spain is allocating hundreds of millions of pesetas to aid the regime in Angola under the section of the budget called 'Developing Countries,' while the aid granted to Ethiopia last year was limited to a shipment of 5,000 tons of wheat. This is one more indication," stressed Inigo Herrera, "of the concept of solidarity the Socialist Government has."

### Statistics Show March Unemployment Decrease 35480080a Madrid DIARIO 16 in Spanish 12 Apr 88 p 21

[Article by Mariano Guindal]

[Text] Madrid—The number of jobless workers registered at the employment offices of the National Institute of Employment (INEM) at the end of March rose by 45,922 in relation to the previous month. Thus, the total of registered unemployed workers is below 3 million, 2,995,692 to be precise. The rate of unemployment as a percentage of the workforce is 20.66 percent.

In relative terms, the decline in unemployment that month amounts to 1.51 percent with respect to February, when the number of people out of work also dropped significantly, even though for seasonal reasons unemployment had risen in that month for the past 10 years.

In this regard, it should be noted that in March 1985, 12,008 more people were added to the jobless rolls; in 1986, the number out of work also rose, by 6,969; and in 1987, for the first time in the decade, the number fell by 10,465. This means that the downward trend in unemployment appears to be continuing.

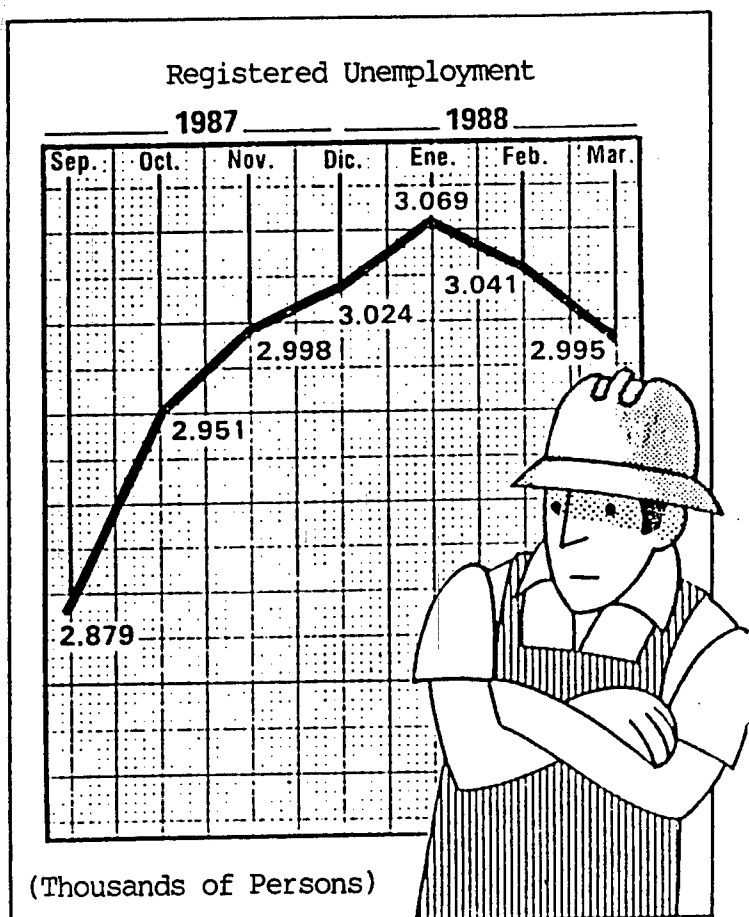
### Women Unemployed

For the first time, a phenomenon worthy of mention has happened this month: The number of women out of work exceeds the number of jobless men. A total of 1,483,228 men are recorded as unemployed, 45,000 less than the previous month.

In contrast, female unemployment declined by only 922, to 1,512,464. If we compare this to March 1987, we see that male joblessness has dropped by 115,175 in a year, while female joblessness has risen by 133,440 during the same period.

When broken down by sectors, unemployment has fallen by the following amounts: agriculture, 1,143 (0.90 percent); industry, 3,320 (0.50 percent); construction, 14,765 (3.92 percent), which demonstrates the major impetus this sector can provide and justifies its reputation as a "locomotive" industry; services, 13,161 (1.31 percent), which also confirms the boost derived from the tertiary sector; and those who have never worked before, 13,633 (1.55 percent), which reflects new hiring.

Unemployment among youths under 25 has declined by 28,938, that is, more than half. The total is now 21,662 men and 7,276 women.



### 286,323 Placements

The number of job placements recorded at the INEM during March is 286,323, an increase of 29,783 or 11.61 percent over the same month in 1987. A total of 158,740 people were hired in March under the employment promotion measures, an increase of 41,102 (34.94 percent) over those recorded in March 1987.

This development on the unemployment front has been welcomed by the Ministry of Labor and Social Security. Sources there contend that the trend already noted during the first 2 months of the year is being consolidated, and the situation "is turning out to be much more favorable than in any other first quarter of the last 15 years."

The administration emphasizes that not only was the March decline four times as great as that recorded in March of last year, but for the first time in the last 15 years, the number of jobless workers is lower than it was in December. This is true for the overall figures as well as the figures for two crucial groups, construction workers and those without prior employment.

08926

### Basque GNP Seen Highest in 1987

35480080b Bilbao DEIA in Spanish 1 Apr 88 p 24

[Text] Vitoria (Efe)—The gross domestic product (GDP) of the Basque Country in 1987 grew at the fastest pace recorded since the economic crisis began, according to a study conducted by the three Chambers of Commerce in the Community.

This increase, according to the various sources consulted in this study, amounts to between 3.2 and 3.5 percent. The explanation for this phenomenon, given the adverse impact of exports, "lies in the extraordinary growth of Spanish domestic demand, and in particular in gross capital formation."

In industry, the trend has been "positive in general terms," although iron and steel "remains in a disturbingly stagnant state." During the first 6 months, production declined by 9.8 percent.

The utilization of productive capacity, according to this report, has followed the rising trend begun in 1985. In the last fiscal year, this development "was accompanied by an improved situation in terms of orders and production levels" and by growth in the capital goods sector.



The figures for electricity consumption confirm this trend, and although industrial demand is down by 1.6 percent with respect to 1986, "isolating the iron and steel factor, the performance of this indicator is substantially positive," with an increase of 3.4 percent.

The progressive rise in the use of natural gas and other energy sources, as well as the effect of public energy saving programs, also "put a favorable spin on the development of this indicator of industrial activity," according to the report by the Basque Chambers of Commerce.

The construction sector, with a 6.4 percent increase in the number of employees, has also performed favorably. This trend is due also to the rise in cement consumption; in the first 10 months of the year, this figure climbed 8 percent. Services followed suit, with an increase of 4,600 employees.

Domestic demand is showing signs of recovery, "although not as obvious as those exhibited by the country as a whole."

The improved financial situation of businesses and the investment promotion policies are encouraging the modernization of production equipment and generating increasing demand for capital goods. To a large extent, this demand is oriented toward imports; between January and September, imports of capital goods rose by 48 percent.

The report by the Basque Chambers of Commerce also emphasizes "the positive impact of demand coming from the rest of Spain. The considerable increase in this demand during the fiscal year can be regarded as the primary factor in the favorable performance of the Basque economy."

Exports have had a negative impact on the GDP, "although there seems to have been an improvement in the final months of the fiscal year."

As for employment, during the period in question it rose by 3.4 percent of the labor force, a figure that "is favored by the methodological changes introduced in the Labor Force Survey."

Prices in the Basque Autonomous Community rose by 5 percent, 0.4 points higher than the figure for the country as a whole. The number of corporations formed jumped 4.45 percent, and the average amount of capital contributed climbed from 5.67 million pesetas in 1986 to 6.36 million pesetas last year.

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## SWEDEN

### Economic Research Institute More Optimistic About Growth

36500087 Stockholm DAGENS NYHETER in Swedish  
29 Mar 88 p 16

[Article by Jan Magnus Fahlstrom: "Brighter Picture of 1988"]

[Text] This year, the Swedish economy is developing considerably more slowly than during 1987, when the pace was unexpectedly high. But the slowdown will not be as strong as there was reason to believe a few months ago.

That is the picture given by the Institute of Economic Research, KI, in its report "The Economic Situation, March 1988," written to serve as a foundation for the government's supplementary bill at the end of April.

Following the finance minister, KI has calculated with two alternatives, one with a 4 and one with a 7 percent wage increase. But, as is shown in the table, the differences between them are marginal, on the whole. The exception is primarily inflation, which in alternative 1 stays at 4.7 percent and in alternative 2 rises to 5.8 percent over the course of the year.

At the far right of the table are found figures from the 1988 prognosis delivered by KI in December last year. The picture now given by KI is clearly more favorable than in the December report—again except for the rate of inflation. And this applies to both the already obsolete alternative 1, as well as the more realistic alternative 2.

### Fewer Unemployed

The growth rate for the GNP, the total production of goods and services, has been raised. The same applies to the growth (in fixed prices, in percent over previous year) in private spending, total gross investments, industrial investments and exports.

For the growth of imports and the trade balance deficit, however, a lower figure is given than in the December prognosis, while the surplus in the trade balance has been added to. Unemployment, which is not shown in the table, is predicted to drop somewhat more, to 1.8 percent of the labor force, from the already low level of 1.9 percent in 1987.

### Lower Price of Oil

As an explanation for the fact that the forecast for 1988 has brightened, that is to say the slowdown relative to 1987 now appears less prominent than it did in December, KI mentions that the development up to now does not indicate any notable effects of last fall's decline in prices on the stock markets.

Market growth for Swedish exports of processed goods could increase somewhat, according to KI, thanks to more demand from countries outside the circle of industrial nations, OECD. The economic situation during 1988 for metals and forest industry products appears clearly more favorable than it did last fall.

#### Stable Export

In December KI anticipated that the surplus in the trade balance would shrink by nearly 6 billion kronor this year. Now, it is assumed to remain unchanged from 1987. The most important explanation is said to be that prices for both the export and import sides are developing in a direction favorable to Sweden. Oil prices are lower than last year, and the price development for, among other things, pulp and paper continues to be strong.

The export economy generally appears more stable than was predicted in the evaluations after the stockmarket decline, KI summarizes, but adds that the tendencies regarding the foreign trade balance must still be described as worrying:

"The improvement in the balance of trade is likely to provide only a brief, stabilizing effect. The risk of a new, strong deterioration in the trade balance next year is

therefore pronounced, particularly if the wage development follows the higher of the two alternatives."

The KI's prognosis is based on the assumption that foreign exchange rates will remain stable throughout the year, at about the levels prevailing in February: DM 1.70 and just over SEK 6 for a U. S. dollar. The price of crude oil is assumed to be 15.60 dollar per barrel annual average.

	Mar 88		Dec 87
	Alt 1	Alt 2	
GNP	1.9	1.9	1.5
Private Spending	2.2	2.7	1.5
Public Spending	1.0	0.9	1.5
Gross Investments	3.0	3.0	1.7
Industry's share	7.0	7.0	4.2
Exports	2.0	1.8	1.5
Imports	3.7	3.9	4.5
Balance of trade in billion kronor	22.2	22.3	17.7
Balance of payments in billion kronor	-10.0	-10.0	-15.4
Consumer prices Dec-Dec	4.7	5.8	4.5
Hourly wages	4.0	7.0	5.0

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